

A Bosnian government soldier in Sarajevo sprinting to escape Serbian sniper fire, while in Bihac the Serbs closed in.

# Pentagon Holds No Hope Of Reversing Serb Gains

## UN Turns Down Last-Ditch Strike

By John Pomfret

**ZAGREB, Croatia** — The UN Protection Force in the former Yugoslavia has rejected a NATO request to destroy Serbian anti-aircraft missile sites around the besieged Bihac "safe area" in what one military official described Sunday as "the last NATO bid for an air strike in Bihac and possibly in Bosnia as well."

Western military officials said the United Nations mission in Zagreb had rebuffed the NATO request Saturday to hit approximately six surface-to-air missile sites in both northwestern Bosnia and Serbian-held territory in neighboring Croatia.

"We won't be able to do anything to protect the people in Bihac unless we remove that problem," a Western official said. "But we can't get approval."

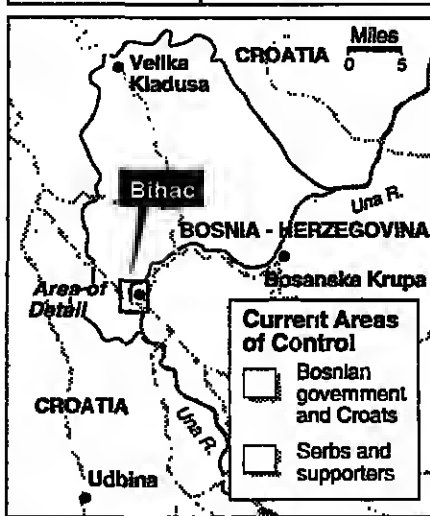
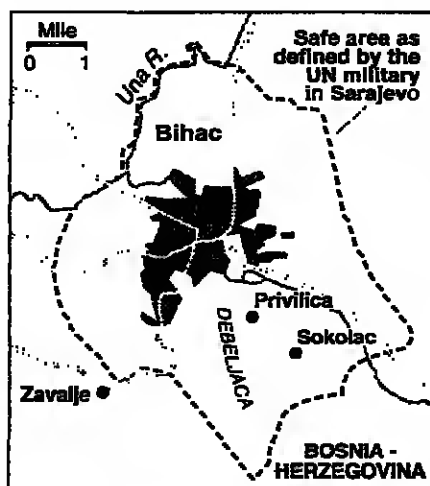
The air strike would have been the most militarily significant NATO action in Bosnia's war and come at a time of growing differences between NATO members, specifically the United States on one side and Britain and France on the other, about what to do in Bosnia. (Page 6)

UN sources said it was rejected because of fears that the Bosnian and Croatian Serbs, who have launched a concerted and coordinated assault on the Bihac enclave, would respond by killing peacekeepers. Serbian forces in eastern Bosnia detained 150 more UN soldiers Sunday, mostly British and Dutch troops, to bring their hostage total to about 400, UN officials said.

Sources added that UN officials also turned down the request because of negotiations about a cease-fire around the Bihac "safe area."

Late Sunday, the Bosnian government accepted the deal, which would force Muslim troops to abandon the area for other, more dangerous parts of the Bihac pocket in exchange for a commitment by UN forces to protect the area and the 70,000 mostly Muslim civilians trapped inside.

For their part, the Serbs, who had not yet responded to the plan, would be forced to withdraw from the safe zone, although they currently hold one-third of it.



Under the cease-fire deal, the Bosnian Serbs would effectively obtain what their leader, Radovan Karadzic, has said he wants: the neutralization of the Bosnian Army's 5th Corps as a fighting force. However, the Serbs would not gain control of a rail link that runs through Bihac town and that could connect the Serbian-held city of Banja Luka in Bosnia with Knin, the headquarters of the Croatian Serbs.

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## Diplomacy Fails, Perry Concedes

By Paul F. Horvitz

**WASHINGTON** — The United States on Sunday offered its most pessimistic assessment to date of the conflict in Bosnia, with Defense Secretary William J. Perry declaring that diplomacy had failed, that Muslim forces cannot recapture lost territory and that NATO air strikes will not influence the battle for the UN-designated safe area of Bihac.

The secretary offered no new options for ending the fighting in Bosnia and said that a force of 2,000 U.S. Marines ordered to stand by on three ships off the coast of Bosnia had been dispatched strictly for rescue operations.

U.S. policy, Mr. Perry said in a broadcast interview, would focus on preventing any spread of the conflict beyond the borders of Bosnia-Herzegovina, though he declined to say where any "line in the sand" might be drawn.

He conceded that diplomacy by the five-nation "contact group" composed of the United States, Russia, Germany, France and Britain "has not succeeded in stopping the war."

Assessing the ground combat in and around the Muslim enclave of Bihac, Mr. Perry noted that the North Atlantic Treaty Organization would only order fighter-bombers to attack if requested by the United Nations. Without UN orders, he said, NATO is "powerless" to influence events. "Even if they were to ask for air strikes," he stressed, "the air strikes cannot determine the outcome of the ground combat. They can punish the Serbs, but they cannot determine the outcome of the ground combat."

It seems, he added, that the Serbs "have demonstrated military superiority on the ground."

Mr. Perry said there was no plan to send more U.S. ground forces to the region, because it would take hundreds of thousands of troops, accompanied by heavy weapons, to affect the outcome of the fighting in Bosnia. And he concluded that there was "no prospect" of Muslim forces winning back any of the roughly 70 percent of Bosnian territory controlled by Serbian fighters.

The Pentagon announced on Friday that 2,000 Marines would be stationed off the Bosnian coast "to support UN, NATO and U.S. military personnel in the area." Mr. Perry suggested on Sunday that a primary role for the Marines would be to rescue any pilots whose aircraft are shot down.

Meanwhile, Senator Bob Dole signaled Sunday that Republicans may step up their pressure on the administration of President Bill Clinton when Congress changes in January from Democratic to Republican control.

Mr. Dole, leader of the Republicans in the Senate, said in a statement.

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## Europe's Menacing New Divisions

By Roger Cohen

**SARAJEVO, Bosnia-Herzegovina** — Five years after the fall of the Berlin Wall, Checkpoint Charlie has moved 600 miles southeast to a bridge over the Miljacka River in Sarajevo, where coils of barbed wire and occasional tearful family reunions testify to the new divisions of Europe.

Here at the bridge, Benjamin Hamidovic, a Bosnian Muslim, stands guard. He gazes out, past the wire and the French UN soldiers in their blue helmets, to the far side, held and guarded by Bosnian

Serbs. It is very close, the other bank, but eerily distant — another land in a severed city.

The division at this bridge is new but no less treacherous than the old one between Cold War ideologies.

Mr. Hamidovic is one of the myriad people who have already fallen victim to the ethnic and religious conflicts that lurked beneath the clamp of communism and have since erupted, revealing the fragility of the societies and borders once behind the Iron Curtain.

As yet, the West has found no coherent response to these conflicts; indeed, the United States and Western Europe have been divided by them. Their failure to work together to end the Bosnian war suggests that the security of Europe, now lacking effective guarantees, will be uncertain for many years.

Economic progress and political opening were supposed to follow communism in Eastern Europe. They were the logical consequence of what the West saw as its victory over totalitarianism.

Instead, the Caucasus has erupted, and

See DIVISIONS, Page 6

## Gaza Police and Militants Maintain a Fragile Peace

By Barton Gellman

**GAZA** — Ten days after what Gazans are calling Bloody Friday, when Palestinian police turned their guns on Islamic militants, Yasser Arafat's self-rule authority and its religious foes are struggling to pull back from the brink of open war.

A brittle accord averted a reprise at a large Islamic rally on Saturday of the Nov. 18 bloodshed, in which at least 12 died and more than 100 were wounded. This time, the police steered clear as a crowd of more than 10,000 demonstrators burned an Israeli flag and pledged to wage a holy war against Israel.

But the effort by the militants to turn their fight with Mr. Arafat, chairman of the Palestine Liberation Organization, toward Israel bears the seeds of renewed fighting among Palestinians as well.

Enad Faluji, a leader of the Islamic Resistance Movement, or Hamas, said that his organization would no longer refrain from attacking Israeli soldiers and settlers in the Gaza Strip.

That threat, which resulted in a series of small strikes last week, undercuts a central basis for détente with Mr. Arafat's self-rule authority. The PLO chairman is required by his peace agreement with Israel to stop such attacks in his jurisdiction, and Prime Minister Yitzhak Rabin intends to hold him to his word.

"Any act against settlers is a wrong act, for the simple reason that there is a peace agreement, which we have to respect," the Palestinian police chief, Ghazi Jahali, said on Saturday.

"The country is open for them to do whatever they want," he added, referring to the militants. "Why do they insist on doing it here? The heroic acts are not here, they are somewhere else, and they know that."

Although the self-rule authority and the Islamic fundamentalists have issued ritual calls for unity, their mutual contempt is manifest.

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## A Cultural Revolution: Sex Talk in China

By Patrick E. Tyler

**BEIJING** — A sexual revolution of sorts is under way in China, not because the world's largest population has just discovered sex but because it is discovering how to talk about it.

In newspaper columns, on radio talk shows and over dinner, the Chinese are discussing sex, how to enjoy it and how to deal with its consequences more than at any time in this century.

And what they are discovering is that even though millions of Chinese have already thrown off the sexual constraints of

the orthodox Communist era, China is still struggling against huge pockets of ignorance as it tries to normalize the role of sex in society.

Some Chinese "are still very shy about sex," said Wen Jingfang, the proprietor of Beijing's only shop for sexual aids, called the Adam and Eve Health Care Center. "With so much shyness, scientific knowledge about sex cannot spread widely," he added.

The Chinese couple that everyone seems to be talking about this fall may be most famous not for what they did but for what they failed to do during more than a year

of marriage: have sex. Their story has been publicized on the front pages of official newspapers and has been filtered about on late-night radio shows.

The official Legal Daily, which reported their amorous ineptitude this year, spared them the mortification of public identification. But their loss of face occurred when the newspaper reported that after months of trying to conceive a child, the couple sought the advice of a doctor, who discovered that the wife had remained a virgin.

Both highly educated university lecturers.

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## A Laborious Florida Flight (And a Boy Named Dulles)

By Stephen C. Fehr

**WASHINGTON** — When he grows up, Matthew Dulles de Bara will regale his friends with the story of why his middle name is the same as an airport in Virginia and why his birth certificate says "in flight" for the place of his birth.

Here's what he will tell them: Matthew's parents and 3-year-old sister boarded TWA Flight 265 in New York on Wednesday, bound for Orlando, Florida, on an L-1011 packed with 213 passengers.

Theresa de Bara, nearly seven months pregnant, had woken that morning with pain that she first thought was indigestion. She had called her doctor as a precaution, and he had assured her that the pain was

probably false labor and that it was all right to make the trip.

But as the plane climbed to its cruising altitude of 30,000 feet, the pain increased. Seated next to Theresa toward the rear of the plane was her husband, Santiago.

"The pain just got worse," Mr. de Bara said over the weekend at the Virginia hospital where Matthew was in critical but stable condition. "She was holding onto my hand and sticking her nails into me."

About a half-hour into the flight, the de Baras told a flight attendant they needed help. Mrs. de Bara was bent over in pain, and contractions had started.

Steven M. Rachlin was sitting with his family when a flight attendant got on the public-address system and asked for a doctor. Dr. Rachlin, a Long Island internist, once delivered a baby — 13 years ago.

"Here I was on a vacation to relax," he said, "and then I was on an airplane being asked to deliver a baby. I was in an altered state."

Dr. Rachlin examined Mrs. de Bara, now stretched out across five seats. He, too, thought that her pains were false labor. But the contractions grew more fre-

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## Kiosk

## Norway Voting On Joining EU

**OSLO (Reuters)** — Norwegians began voting on Sunday on whether their country should join the European Union in a two-day referendum that has turned into a cliffhanger.

Pollsters agreed that the outcome was an open question because the pro-EU lobby had rallied in the last week, undermining the comfortable lead held for months by the anti-EU camp.

Voting was taking place Sunday in 220 of the country's 435 communities. It will spread to all communities on Monday, and the result will be known late Monday or, if the race is very close, early Tuesday. The referendum is nonbinding, but the Labor Party government has said it will accept the outcome even if it is "no." The anti-EU opposition, however, has threatened to block ratification of a narrow "yes" vote in Parliament.

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Crossword  
Weather

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A pony in Oslo firmly in the "yes" camp on Sunday as Norwegians began voting in a two-day referendum on whether to join the European Union.

## Third Reich Deserters Want Names Cleared

By Rick Atkinson

**BERLIN** — More than a half-century ago, Seaman Ludwig Baumann tried to run from the war he had grown to dread. He has been running ever since.

Arrested in civilian clothes on June 3, 1942, when he tried to slip out of occupied France, the German sailor was court-martialed for desertion and condemned to execution by firing squad. Mr. Baumann's death sentence was eventually commuted to a long prison term, and he spent the rest of World War II in a German penal camp before being liberated by Soviet troops.

Although Mr. Baumann survived Nazi justice, the war pursues him to this day: in the anonymous letters accusing him of cowardice; in the German legal system, which still considers him a convicted felon; in the recurrent nightmares of being led in shackles by his executioners.

Now 72 and living in Bremen, Mr. Baumann has devoted the final years of his life to battling what he — and a growing number of German historians and politicians — see as the unfair stigma attached to those who rejected Hitler's war by fleeing.

Of some 22,500 German soldiers sentenced to death for desertion, approximately 15,000 were shot or guillotined. More than 5,000 others were condemned for "defection" or "subversion of national defense," offenses that included denouncing Hitler or criticizing the war. Of those who escaped execution, all but a few hundred died in prison or in the five decades since the war ended.

In an emotional debate that is part of a broader anguish over why so few Germans renounced Hitler's Third Reich, the Bonn Parliament failed to find common ground this fall in re-evaluating the legal status of deserters. Mr. Baumann and his supporters want a general annulment of sentences by Nazi military courts. They also want formal government recognition that such punishments were unjust because they

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## Q&A: A Man of Both Sides on Germany's Internal Frictions

Hinrich Lehmann-Grube, a former deputy mayor in Hannover, moved to Leipzig right after the fall of the Berlin Wall and was elected mayor of the East German city in 1990. He spoke about his political experiences, the pace of reunification and friction between Eastern and Western Germany in an interview in Leipzig with Brandon Mitchener of the International Herald Tribune.

Q. Leipzig is the fastest-growing town in Germany. There are construction cranes everywhere. But the initial flood of contracts is already beginning to dry up. Could the boom go bust?

A. I'm not an economist, but I've learned to distrust forecasts. Everything the learned economists said in 1990 was rubbish. I always said unification would take a long time and be immensely difficult — a national challenge that is only comparable with the wars we fought here. Then,

we mobilized all the nation's resources. Now we have the duty to mobilize our national resources for a peaceful purpose, not for a stupid war, and Bonn has been acting as if this was a minor oil crisis.

The political class in Western Germany completely missed the dimension. Some have only begun to see it.

### MONDAY Q&A

and many still don't see it for what it is. But some have begun to understand. It took Chancellor Kohl two or three years to catch on. But I don't think you can compare this boom with a normal economic cycle. It's something completely different.

I don't deny we still have big problems, but I'm happy for every construction site. We can try to restore equilibrium by establishing the prerequisites for industrial production. Things are beginning to move. Here and there, small and medium-sized companies, sometimes spin-offs from the big, old state conglomer-

ates, are beginning to establish themselves.

I'm optimistic there will be a reasonable balance in another 10 to 15 years. It may be that we are so integrated into the world economy by then that we fall prey to international economic cycles, but I don't expect the current boom to fail. I expect industrial production to kick in and keep it going.

Q. A Dresden court recently sentenced a West German to pay a fine for calling an East German a "stupid Ossi," effectively declaring the second word, which everyone uses, a four-letter word. Are East Germans fed up at being patronized by "Wessies"?

A. I use both words with abandon and don't think it's worth making a big deal out of. There are raw nerves and tension, but I remind people constantly that Prussia and Bavaria also experienced years of tension. When Germany unified there was a lot of euphoria. We said we're not

just unified, we were one. It wasn't until the following years that people realized how different we are. Forty-five years of the German Democratic Republic left a mark. But the Ossis wanted unification, which I always emphasize. Now they are always adapting, and that makes them tired. If you have a brother who always acts superior, you get tension in even the best families.

Q. Nevertheless, there is a certain bitterness in the air. Many East Germans complain that unification has been a one-way street. What aspects of the East German experience would you like to see transplanted in the West?

A. It is very difficult to transfer experiences, but the people in Eastern Germany have had to adapt quickly. People knew things couldn't remain the same and are extremely willing to change. I'd like to recommend that to the West.

Q. Many Ossis resent the fact that Wessies like yourself control so many

offices in the region. When will Ossis be ready to assume responsibility?

A. In unification — which was really an annexation — the people of the German Democratic Republic threw all their institutions on the rubbish heap of history. Few realized what they were doing. We're now experiencing the natural, unavoidable consequences. A lot of Wessies were tactless in the beginning. That's regrettable.

But when everything here began to follow a different drumbeat, a lot of Ossis couldn't march in step. For many offices, the only qualified candidates came from the West. I tried to fill every office I could with local people — the head of my personnel department is a mathematician, one of my deputies is a physicist. But the head of my economics office is a Wessi because he had to do things no Ossi knew how to do. I see myself as someone who was needed as an ambassador to the West to sow understanding for what's happening here.

## Major Plays on Unpopularity In Crucial Parliamentary Vote

By Fred Barbash

Washington Post Service  
LONDON — Prime Minister John Major and his Conservative government confront on Monday night a make-or-break parliamentary vote that is certain, whichever way it turns out, to inflict a serious wound on an already badly scarred ruling party.

The gambit leading to Monday's showdown is one of the strangest in recent British politics. Actually, it is among the strangest in politics anywhere, for it revolves around a political leader attempting to use his own unpopularity for leverage.

If Mr. Major stumbles, his government will collapse. If he brings it off, which is likely, he will prove, at best, that nothing succeeds like failure.

The issue confronting Parliament is approval of the country's regular financial contribution to the European Union, not, on its face, a sexy matter. Within the Conservative Party, however, Mr. Major is bedeviled by a contingent variously known as the "Euro-skeptics," the "Euro-rebels" or, at the ex-

trême, the "Europhobes," for whom any measure involving European integration is grounds for a brawl.

Some time ago, they made it known that they would fight the bill. With the Conservatives holding a slim majority of 14 in the 651-member House of Commons, the defections could sink it.

Having won a divisive internal battle in 1993 over another matter of European integration — the Maastricht treaty — only after a humiliating internal battle, Mr. Major determined that he had to make a show of force.

He announced that he and his cabinet would treat the vote on the contribution as a "vote of confidence." If it went down, he said, he would call for a dissolution of Parliament and new elections. To show that he was not bluffing, his entire cabinet agreed to what is being called a "suicide pact," stating that they would all resign if the vote on Monday was "no."

The maneuver was wickedly perverse. If Mr. Major and his Conservative Party were popu-

lar in Britain, his enemies within the party would have liked nothing better than to see a new election and a new prime minister. In fact, they are extraordinarily unpopular, according to all polls for the past two years, commanding at best 25 percent electoral support. Conservatives consider themselves fortunate that no election is required until 1997.

Massive disfavor in the country at large was thus the linchpin of Mr. Major's threat. That, coupled with some budgeoning by party whips, appears to have badly eroded the numbers of deputies willing to oppose the EU contribution. Vote counters on both sides now predict he will win.

Reports Sunday morning, however, suggested that his victory will not bolster his position in the party. Indeed, Conservatives angered by the tactic Mr. Major chose are reportedly now preparing to challenge his leadership of the party.

While their chances of success are slim, the entire episode has delighted the new Labor Party leader, Tony Blair, who declared in the House of Commons last week that the government had only proven itself "an ill-disciplined rabble incapable of governing this country."

### DEATH NOTICE

**Henry Herman Harjes II**  
died at Greenbrae, California, on October 31, 1994 at age 82. His remains arrived by Air France in Paris on November 22, for interment in the Harjes Mausoleum, Cemetery des Gondecs, Versailles. Jean E. Hunt of the American Catholic Office.

Mr. Harjes' grandfather, John H. Harjes, founded the bank firm of Drexel & Harjes in 1898 which became Morgan & Harjes in later years. The bank remained Morgan & Harjes until the death of son H. Herman Harjes Sr. in 1927 from a polo accident in Delaware. H. Herman Harjes II was too young to carry on the name, so the bank became Morgan & Co. and later, Morgan Guaranty Trust Company where it still is in operation at 14 Place Vendôme.

His grandfather John H. Harjes founded and funded the American Hospital, the American Cathedral in Paris, gave the statue of Benjamin Franklin at the Tuileries as well as many other major contributions by the Harjes family to the City of Paris.

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MEMORIAL AT SEA — A wreath being thrown into the Baltic during a service for the more than 900 people who died there when the ferry Estonia sank in September.

## DESERTERS: Germans Want Their Names Cleared

Continued from Page 1

were meted out by a corrupt, illicit judicial system.

The German Defense Ministry — and, thus far, a parliamentary majority — oppose any blanket amnesty. Pardons should be granted only after the review of individual cases, opponents contend, because many a deserter left his comrades in the lurch just to save his own skin. Moreover, exonerating those who fled suggests that "every soldier who had the courage to stick with it" made an illegitimate choice on behalf of Hitler's regime, as the conservative politician Norbert Geis put it.

"It's a two-edged sword," said Michael Wolffsohn, a political science professor in Munich. "If you have a general amnesty for deserters, you imply that those who did not desert were active collaborators, which is wrong. And because this is a symbolic issue, it's a signal to the present rather than the past and might be seen as encouraging desertion today."

In its immediate impact, legal rehabilitation would have little effect other than to compensate some surviving deserters for time they spent in Nazi prisons. But like so many questions of 20th-century German history, the issue has a transcendent power, beset with conflicting claims of justice and injustice, innocence and guilt, righteousness and iniquity.

Why, for example, should World War II deserters still be considered pariahs, while East German Army deserters were welcomed with open arms by West Germany before the Berlin Wall fell in 1989?

Why should an amnesty be extended to those who collaborated with the East German Stasi secret police — a proposal now gaining momentum — while those convicted of subverting the Third Reich remain tainted with felony convictions? Why should the army officers who tried to assassinate Hitler with a bomb on July 20, 1944, now be lionized as heroes, while soldiers who refused to fight are considered shirkers?

There are no clear answers to these questions in Germany today, only opinions and more questions.

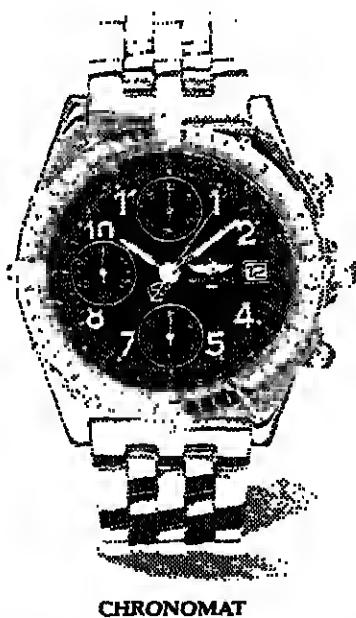
"A simple soldier was not in a position to plant a bomb against Hitler," said Norbert Haase, a military historian and author of "German Deserters." "Besides, deserters are not motivated by a desire to overthrow a regime. But desertion is a form of resistance for the simple soldier."

Those seeking a blanket pardon contend that reviewing cases individually is impractical because many records were destroyed as the war drew to a close, either by the Allied bombing of army archives in Potsdam or by German military judges anxious to thwart war crimes investigations.

Furthermore, those who were executed rarely had a strong advocate trying to clear their names today, while deserters still living tend to be old, feeble or disinclined to exonerate the past.

Parliament long ago annulled sentences passed on civilian defendants by the infamous Nazi People's Court. But the enduring stature of court-martial convictions reflects both the continued influence of military judges, some of whom served in Germany's postwar judiciary, and the lingering myth that the army was apolitical during the Third Reich.

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## WORLD BRIEFS

### Saddam Takes Over Iraq Diplomacy

BAGHDAD (Reuters) — President Saddam Hussein has taken personal charge of Iraq's foreign policy, according to a newspaper article signed by the president's oldest son and published on Sunday.

The article said that "the leader is now assuming in a direct manner" responsibility for "the subject of Iraqi diplomacy." It was published on the front page of the newspaper Babil, which is owned by Mr. Saddam's son, Uday.

The paper did not say when the Iraqi president had started directing foreign policy. But it attributed "changes at the UN Security Council" on how to deal with sanctions on Iraq to his diplomatic efforts.

### 30 New Cardinals Invested by Pope

VATICAN CITY (Reuters) — Pope John Paul II invested 30 new cardinals, including the Roman Catholic leader of Bosnia, on Sunday and told them that they should be ready to die for the church and their people.

The Pope completed two days of investiture ceremonies for the new prelates, some of whom will be entrusted with electing his successor after he dies, with a Mass in St. Peter's Basilica during which he gave them the ring of office.

In his sermon, the Pope, 74, said that a cardinal's red garb was intentionally the color of blood to remind them of the early church martyrs. "In receiving the cardinal's dress, each of you hears the call to be ready to shed blood if Christ asks for it," he said.

### Berlusconi to Try to Placate Coalition

ROME (Reuters) — Prime Minister Silvio Berlusconi, battling to hold on to power despite a corruption inquiry, will seek to make crucial deals with coalition partners and trade unions in the next few days.

The billionaire businessman won some breathing space over the weekend when his questioning by Milan magistrates over corruption allegations was postponed. The session did not take place because Mr. Berlusconi's lawyer, Giuseppe De Luca, was unwell. A new date has not been set, but newspapers said Mr. Berlusconi could meet the magistrates as early as Monday.

The prime minister must now win the backing of coalition partners at a cabinet session on Tuesday and then seek a compromise with unions on Wednesday to avert an eight-hour general strike planned for Friday.

### Chechen Rebels Concede Weakness

TOLSTOY-YURT, Russia (Reuters) — Moscow-backed rebel fighters in the breakaway region of Chechnya conceded Sunday that they needed more help after the failure of their military attempt to depose the Chechen leader Dzhokhar Dudayev.

The rebels attacked the capital, Grozny, with tanks last Friday but were pushed back by forces loyal to General Dudayev.

A senior rebel official, Gersolt Elmurzayev, said the defeat stemmed from a "lack of professionalism among our military leaders."

### Polisario Deputy Wants New War

ALGIERS (AP) — The No. 2 leader of the Polisario Front said Sunday that he wanted the United Nations to withdraw its mission from the disputed Western Sahara so his guerrilla organization could resume combat.

The remarks cast a shadow over UN efforts to organize a referendum to determine the future of the territory, claimed by Morocco since 1975. They were made at a news conference in Tindouf, in southwestern Algeria, as the UN secretary-general, Boutros Boutros-Ghali, visited refugee districts there and met with Polisario leaders.

Bachir Mustapha-Sayed said that Sahrawi "hope that Boutros-Ghali will make good on his threat to withdraw the United Nations from the Western Sahara so the armed struggle can be resumed." He was quoted by the official Algerian APS news agency. It was not clear whether he reflected the views of the Polisario leader, Mohammed Abdelaziz, who called for direct negotiations with Morocco to resolve differences in an interview published Sunday in El Moudjahid, the Algerian pro-government newspaper.

### For the Record

Suspected neo-Nazis desecrated a Jewish cemetery in Busen-berg, in western Germany, damaging 50 to 60 graves and scattering swastikas and anti-Jewish slogans, local policemen said Sunday. (AFP)

## TRAVEL UPDATE

### Egypt's 'Aida' Staging: No High Note

LUXOR, Egypt (Reuters) — High prices, poor advertising and security concerns have set back the Egyptian government's attempt to draw in foreign tourists with a \$3.5 million production of Verdi's opera "Aida," travel agents said.

About 75 percent of the seats were filled for the opening night at the pharaonic temple of Queen Hatshepsut near the southern town of Luxor on Saturday, many of them with Cairo-based guests of the government. The Cairo Opera House, organizer of the event in conjunction with the Ministry of Culture, has canceled the last three of six performances originally planned because it could not fill seats at up to \$350 each.

The government's guests also dominated the \$150-a-head gala buffet at the luxurious Winter Palace Hotel. The government had hoped the opera would show that all was well in southern Egypt, where Muslim militants have killed seven tourists in a two-year campaign to embarrass the government.

Trains returned to Strasbourg for the first time in more than 30 years over the weekend. Five years after deciding to revive the system, authorities in the home of the European Parliament inaugurated the new 10 kilometers (6 miles) of track with 18 stops that run throughout the city. (AFP)

The new Zhuhai airport in southern China's booming Guangdong Province is expected to be working by February, the Xinhua news agency reported Sunday. The airport reportedly will be able to handle more than 12 million passengers and about 400,000 tons of cargo annually. (AFP)

Opposition parties have called a general strike in Bombay on Monday to protest police action that resulted in the deaths of 130 demonstrators in a stampede last week. The strike is expected to halt public transportation in the city, and the domestic carrier Indian Airlines said some flights may be canceled. (Reuters)

### This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Albania, Chad, Israel, Mauritania, Panama, Romania, Thailand, Liberia, Serbia.  
TUESDAY: Barbados, Philippines, Yemen, Serbia.  
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# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Humiliation in Bosnia

NATO's patty-cake air strikes in response to the latest Serbian aggression around Bihac, a United Nations-declared "safe area," seem to have encouraged the Serbs to redouble their attack. The Muslim-led Bosnian government is faced with the loss of another important enclave and, further, with defeat of the military unit whose briefly successful offensive last month was co-opted by the Serbs into the pretext for their current assault. In its distress, the Bosnian government is falling under heightened pressure to consider a nationwide cease-fire that would leave the Serbs in militarily uncontested control of their territorial conquests.

Could NATO have avoided this utter humiliation? It is easy enough for Americans, who have no peacekeeping troops exposed on the ground, to answer with a "yes." But NATO's European troop providers could not have failed to be concerned — although they ever owed to be paralyzed — by threats of Serbian retaliation in the event of alliance attacks on Serbian positions.

If America was not going to stiffen NATO by providing U.S. peacekeepers, then the best alternative probably was to remove the peacekeepers altogether. That would have permitted free use of NATO air power. It would have meant a wider war and more civilian casualties, but also a chance for UN-NATO forces to take a

clear shot at the Bosnian Serbs, the principal aggressors. Yet the reality is that there never was the political taste for that option, and there plainly isn't now.

The United Nations now strives to mediate the battle. Good luck. The Serbs, pressing their advantage, want a permanent end to hostilities. The Bosnian government, hoping to recoup, seeks a three-month cease-fire. Perhaps a formula can be found. If so, there are some other cards the allies can still play to interest the Serbs in the international peace plan, which requires substantial Serbian withdrawals. The Serbs face indefinite economic and political isolation as long as they defy the international terms — the same kind of isolation that led Serbia proper belatedly to try to bring the Bosnian Serbs around. The Serbs' conduct in the Bihac area, where casualties are mounting among the 175,000 mostly Muslim civilians, will tell whether they care one iota for international law.

It makes a difference that in this instance Bosnian Serbs — familiar violators — have been joined by Serbs from the neighboring Serb-populated territory of Krajina within Croatia. Has it not occurred to the Krajina Serbs that they are an embattled community with their own special requirements for the goodwill of the West?

— THE WASHINGTON POST.

## Poor Arms Guidelines

America has a rare chance to use its dominant position in the arms market to inhibit the international traffic in weaponry. Unfortunately, new guidelines governing American arms sales abroad, now on President Bill Clinton's desk, would toss away that chance.

With the end of the Cold War, global arms sales began to dry up and competition intensified to capture what was left of the market. The demonstrated prowess of American arms in the Gulf War allowed the United States to dominate the market, accounting for well over half the world's sales. That would enable Washington to take the lead in restraining sales, especially to volatile regions like the Middle East.

The defense industry has resisted restraints. With the slowing of Pentagon procurement, the industry looked overseas to peddle its wares. Now the Pentagon wants to turn export promotion into a strategy for keeping the industry afloat, and Mr. Clinton is being asked to sign on. The guidelines are pernicious in several ways. To win government approval for an

arms deal under existing rules, arms makers have had to show that the sales would promote U.S. security, cooperation with a foreign government and regional stability. One unwritten purpose of the sales has always been to help domestic industries keep their production lines open. In the new guidelines, that purpose is explicitly stated, giving commercial considerations much higher priority than before. The guidelines would also provide up to \$1 billion in loan guarantees for arms exports, adding to the billions in subsidies that the defense industry already receives to market its wares. That will only invite U.S. competitors to sweeten their own subsidies.

As an added inducement to buy American, U.S. companies sometimes offer to co-produce arms abroad, leading to a loss of control over military technology. The guidelines do little to slow the diffusion of American know-how.

The guidelines would sacrifice long-term security for short-term economic advantage. Mr. Clinton should reject them.

— THE NEW YORK TIMES.

## Stand Up to Helms

Senator Jesse Helms of North Carolina is no stranger to outrageous statements. But his recent remarks about President Bill Clinton have drawn enormous attention because he is set to become chairman of the Senate Foreign Relations Committee. His impending promotion is drawing much fire from Democrats, but the people it should bother most are the many Republicans who have held firm to their party's best traditions on internationalism, free trade and human rights.

Mr. Helms's recent statements showed no understanding of the status and role of the military in a democracy. He said that Mr. Clinton was out up to the job of commander in chief and that "the people in the armed forces" agreed with him. It is one thing for right-wing radio talk jockeys to speak loosely about Mr. Clinton's standing with the military. It is another for a prospective Foreign Relations chairman to challenge a president's authority as the nation's top commander. The stakes here ought to be well understood by conservatives, who rightly worry about preserving constitutional traditions, one being civilian control of the military. Mr. Helms then made things worse by saying that Mr. Clinton "better have a bodyguard" if he visited military bases in North Carolina. How can anyone, let alone a senator, be so careless and irresponsible in his comments after the political assassinations the United States has experienced these last three decades?

The dangers of a Helms chairmanship go beyond the senator's loose lips. He is out of step with the consensus within his own party on issue after issue, including his isolationist views on the United Nations and foreign aid, his protectionist views on trade, his stances toward assistance to Russia and the Middle East, and his past sympathy for South Africa's old apartheid regime.

Democrats have had a grand time condemning Mr. Helms. But we suspect that secretly many Democrats would love to see him get the Foreign Relations job. Mr. Helms promises to be a continuing embarrassment to his party, and to open

division after division within Republican ranks. It is a measure of their political plight that Senator Helms may in fact be the best thing the Democrats have going for them at the moment.

The issue of who should get a chairmanship is an internal party matter, and Republicans seem reluctant to break with seniority in Mr. Helms's case. But if they grant him a new role, Senate Republicans had better be ready. The incoming majority leader, Bob Dole, a responsible internationalist, and other reasonable Republicans such as Senator Richard Lugar will have to spend much time doing damage control and making sure that Mr. Helms does not impede initiatives that enjoy wide support in both parties.

In the past, senators of various political stripes have demonstrated a reckless indulgence of Mr. Helms's outrages, which may have grown from their reluctance to mix it up with a very tough guy. This indulgence hurt American interests again and again when Mr. Helms was allowed to hold up for months ambassadorial appointments that left large, important countries without American representation. The days for indulgence should surely be over. It is time for those Democrats as well as those Republicans who privately detest much of what he has done and is doing to show the courage to stand up to him.

— THE WASHINGTON POST.

## Other Comment

### Feeling Sorry for Arafat

One cannot but have pity for Yasser Arafat these days. Moammar Gadhafi of Libya is so dismissive of Mr. Arafat now that he refers to him as the "Zionists' mayor of Gaza." To rub salt in the wound, no foreigner may enter a territory under the control of the Palestinian authority without the permission of Israel. With the guns of Palestinians pointed against Mr. Arafat, and Israel putting pressure on him, to whom is he going to turn now?

— The Sowetan (Soweto, South Africa).

## Bosnia Fiasco: Western Hypocrisy and Failure of Will

By Brian Beedham

LONDON — The eyes-averted tiptoe through horror that the West calls its Bosnia policy is drawing to an end in the worst possible way.

That Bosnia's Muslims, the chief victims of the war, are pretty clearly being left to their fate is bad enough.

That an internationally recognized state is thus being demolished by armed force is in one way even worse, for it gives future demolishers elsewhere a precedent they will relish.

Worst of all is that, while this happens, we of the West say one thing and do another, promise action but do not provide it, and use transparently false arguments to excuse our inaction. In short, we compound failure with hypocrisy.

It is hypocritical to say that we should not give help to the Muslims because this would be "taking sides." We took sides long ago, when we proposed first the Vance-Owen peace plan and then the current, weaker peace project. Both were based on the proposition that Bosnia's minority of Serbs had abused Bosnia's other people and that the abuse should be at least partly rectified by a Serbian withdrawal from occupied land.

That was a taking of sides. The question was whether we would do something to make the Bosnian Serbs withdraw, or just hope that words would puff them away. The answer is now brutally clear.

There is growing hypocrisy in the claim that, if we will not make them pull back, Serbia's President Slobodan Milosevic will save us the trouble by doing the

job for us. It is almost four months since Mr. Milosevic imposed his "blockade" on the Bosnian Serbs. The machinery for checking the honesty of that blockade is patently frail. This month's assault by the Bosnian Serbs on the Bihac "safe area" — another phrase to squirm at — shows that they still have abundant arms, fuel and ammunition. It is highly dubious, to put it mildly, whether we can leave an honest peace to Mr. Milosevic.

A familiar quagmire therefore resurfaces when it is said — for instance, by the British lieutenant general Sir Michael Rose — that after the past month's battles the West's aim should be to return Bosnia to its "status quo." That "status quo" is a war which goes on killing people but for which no even passably just outcome now seems in prospect.

If the West intends to take no further serious action, it would be better, as well as more honest, to say so now. The victims might then accept defeat without further struggle. The "status quo" condemns them to more bloodshed, without hope.

Hypocrisy is the ultimate sin in the making of foreign policy. A failure of calculation can be survived; even defeat by superior armed force is endurable. Both can become a challenge to do better next time. Hypocrisy is an acid that eats away the ability to do better next time, because it destroys other people's trust in those whose deception is duly revealed

and the self-deceiver's belief in himself.

There are vulnerable people in various parts of today's world who might hope to call on the West's aid if they came under unjustified attack. Imagine what these people think when they see "peace plans" unsupported by any will to make the plans work; "safe areas" which remain open to sniping, bombardment and assault; above all, a refusal by West European governments to do anything more because it might put some of their soldiers in harm's way.

This repeated washing of hands, while the West claims to be still earnestly in pursuit of justice, dismays the vulnerable of the world. It encourages those who would like to exploit their vulnerability. That is one part of the cost of hypocrisy. The other part is what it does inside the West itself. The democracies of Europe and America, by so often saying one thing and doing another, have damaged their own self-confidence. They now believe that they are capable of achieving less in the world than is in fact the case.

They still have great economic and military power. They could have used it to much greater effect in ex-Yugoslavia. By behaving as they have behaved, they have persuaded themselves otherwise.

This is why it is already being said that NATO will never again venture into a peacemaking operation outside its own borders. That will probably prove to be false. For the world's sake, one hopes it is. But the chances of its being proved false are certainly diminished.

ished by what NATO has done to itself in Bosnia. He who flinches once usually, alas, flinches the next time, too.

The one glint of hope in this sorry story is that, as sometimes happens, the chemistry of the human spirit will produce the danger of self-perpetuating weakness, of the continuous flinch. If this is to come about, the West will have to understand that it has neither thought clearly enough nor acted bravely enough in the debacle of ex-Yugoslavia.

The intellectual error was the West's failure to see that it could have brought the horror under control if it had acted promptly enough. It is now widely accepted that the deployment of a modest military force back in 1991, coupled with precise diplomatic action, might have prevented much of what has happened since then. That chance having been missed, each successive stage of the war grew harder to cope with. This was the failure of clear thinking.

The failure of will runs deeper, because if the will had been there the thinking would have been sharper. To avoid the shame now descending upon us, we should have had to reject the very thought of letting medieval brutality reassert itself so close to Rome and Vienna. We could then have summoned up the courage to do what was necessary. By failing to do so, we set ourselves on the road to hypocrisy and ineffectuality.

International Herald Tribune.

## Dangerous Trans-Atlantic Strain, With Real Damage to NATO

By William Pfaff

BONN — The damage that has been done to NATO since November began is probably irreparable. The United States and Western Europe have broken apart on a crucial issue concerning Europe's future policy toward the war in Bosnia.

They have in the last few days conducted air operations in common over Bosnia and Croatia, but with bitterness expressed on both sides — by Americans at what seems Europe's moral abdication in former Yugoslavia, and by Europeans at what they see as America's irresponsibility and even pusillanimity about backing up talk with men on the ground in the Yugoslav crisis zone.

The midterm elections had already produced a Congress little interested in foreign drama, its priorities being tax cuts, welfare restriction, the culture wars and the presidential election of 1996.

Few in Washington today care much about developments in Europe, and those who do care are not in Congress. They also are not young. In September, in Washington, I spoke to a group of policy people and academics concerned with Atlantic

matters, and my impression was that no one there was under 50.

Many in Europe, however, are concerned with what goes on in Washington and believe they are seeing a destructive rise in isolationism. There cannot really be a revival of 1930s-style isolationism; American business and the American economy are much too implicated in the European and world economies for that. But (Marx notwithstanding) economic involvement does not in itself dictate political engagement, at least of the Atlanticist kind.

The United States and the European Union can go their separate ways on Yugoslavia without bothering the operations of Microsoft or Disney or Ford, or Siemens or BMW. (If they go their separate ways on trade, it will be a different matter.)

What is happening greatly increases European interest in Western Europe's own long-neglected security organization, the Western European Union. The WEU has been named the military arm of the European Union, but this has meant little

so long as NATO has functioned.

However, the United States cannot conduct one policy through NATO and the West Europeans conduct another, so if the Europeans want their own policy they need the military means to carry it out. NATO has command, staff, forces and operating systems in place. The WEU has nothing or next to nothing. The encounter in recent days with a divided NATO has shaken up people who in the past ignored the WEU.

There not only is disagreement about ex-Yugoslavia on the two sides of the Atlantic, but about Iraq as well, and potentially about other issues in the Middle East and in Africa.

There is also a convergence of West European views with those of Russia, at least on Yugoslavia and Iraq, in opposition to U.S. positions. The major West European powers and Russia all are against arming Bosnia. They all think that Iraq now has done what United Nations resolutions demanded of Baghdad, and that sanctions should be lifted.

The German government is convinced that the so-called Eurocorps, composed of French, German and Belgian units, now is essential to Europe's future. Officials say it currently is successful beyond what had been expected, and will be operational in 1995, in need of assignments. A second such Eurocorps is being developed with French, Spanish and Italian components.

Even the British government now seems convinced that it has a security stake in Europe outside NATO. It takes the Eurocorps seriously, which as recently as last spring it did not. In recent weeks a French-British air force equivalent was agreed upon, which would initially have a British base and a French commander and would be available for rapid-response operations.

The British now also look likely to join the European program to commission a long-range military transport aircraft from the Airbus consortium, for early 21st century delivery.

In Germany one is also told that the two-speed Europe proposed by a Christian Democratic Party study group in September

is essential. As Europe expands from 12 members to 16 and more, "structural change" must follow or there will be a drift back (as the CDU/CSU group put it) toward "a loosely knit grouping of states restricted to certain economic aspects... no more than a 'sophisticated' free trade area incapable of overcoming either the external internal problems of the European societies or the external challenges they face."

In a fundamental sense, this estrangement of the Europeans from America is inevitable, a reflection of the diverging views and preoccupations of people on the two sides of the Atlantic now that the pressures and fears of the Cold War have vanished.

However, the terms on which this estrangement has come, and the bitterness that has been expressed about how it is happening, are not entirely reassuring about the future of America's relations with by far the most powerful group of industrial economies on earth — possessing a notable record, when upset, for making waves in history.

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## The American Liberal Case Against the World Trade Organization

By Robert Kuttner

WASHINGTON — The GATT agreement was conceived by the Reagan administration, nurtured by President George Bush, and is strongly backed by giant corporations that are a prime constituency of the Republican Party. Yet many Republicans are threatening to kill it.

Democrats are also playing against type. The trade deal epitomizes a system of unregulated global markets that relentlessly undermines institutions of economic management which have been the longtime habitat of Democrats.

Since FDR, Democrats have successfully used economic intervention to shelter their constituents from the vicissitudes of laissez-faire. The GATT deal accelerates the demise of that economic order, yet it is championed by a Democratic president.

On the surface, this deal merely reduces barriers to trade, creates common rules and replaces the old, feeble General Agreement on Tariffs and Trade with a stronger

World Trade Organization able to adjudicate disputes and enforce decisions. But under the guise of merely harmonizing rules of trade, the agreement achieves three other far-reaching changes.

First, it is the only international agreement that surrenders U.S. sovereignty to a global organization based on one nation, one vote. In every other international body that the United States has joined, it has insisted on either a veto or weighted voting. This describes the United Nations, NATO, the World Bank, the International Monetary Fund and GATT itself, where decision has been by consensus.

In the proposed WTO, the United States will have the same power as El Salvador or Mali. In effect, it is backing into the sort of world government that it would once embrace if the decision were based on first principles.

Second, the constitutional structure of the proposed WTO

mocks many of America's cherished principles of law. The main adjudicatory bodies, dispute-resolution panels, function as judge, jury and legislature. There is no U.S.-style due process.

Deliberations are closed to the press, with no written transcripts, no right of judicial appeal, and no prohibitions against conflicts of interest. One of the judges (they serve part-time) could also be advising a multinational corporation, even one with a material interest in the ruling.

Third, the whole WTO framework is biased against a mixed economy and in favor of abolishing domestic standards that temper the cruelties of pure capitalism. Under the WTO agreement, any national regulation or economic intervention that discourages trade is considered suspect.

It would be different if the WTO were a true world government, with a constitutional structure and democratically account-

able officials. It would be different if the WTO replaced national standards with global or regional ones, as the European Union has begun to do. By contrast, the WTO is mainly a mandate to dismantle national standards.

The agreement's core principle is that any law or regulation that affects trade, however indirectly, must do so in a way that is the "least trade restrictive." Countries can violate the WTO rules by protecting consumers, workers or the environment — but not by abusing them. The WTO sets up what the late Justice Louis Brandeis called a "race to the bottom," in which weaker standards undermine stronger ones.

A variety of U.S. health, safety, consumer, environmental and labor regulations have already been challenged by Europe, Japan or others as "GATT-illegal." These include fuel efficiency standards, food purity laws, pesticide controls and technology programs.

But there is a key difference between GATT and the proposed WTO. If a GATT panel rules against the United States, Washington is essentially free to ignore the ruling and invite the complaining nation to retaliate. This rarely occurs, because of fears of further retaliations. Under the WTO, however, the United States would have to comply with the ruling or pay a large fine.

The proposed WTO also prohibits "unilateralism," which describes the modestly successful U.S. effort to pry open Japan's closed markets by threatening to

withhold access to America's far more accessible ones. Chief U.S. trade negotiator Mickey Kantor alternately takes pride in his successes in getting tough with Japan and in lobbying for the WTO — which would foreclose virtually all of his Japan policy.

The WTO is being criticized by both far-right America-firsters and mainstream consumer, labor and environmental groups. The broad misgivings about the WTO cannot be dismissed as the work of a political fringe, for it raises the most fundamental issues about the nature of American government, economy and society.

Senator Robert Dole and President Bill Clinton have made a deal that provides for a special review of U.S. membership in the WTO as soon as three WTO rulings go against the United States. This is a pathetic demand for a double standard.

It would be far better to fix the flaws in the WTO before the United States joins. If America is to be part of an embryonic world commercial government, that government should be one whose principles and processes earn America's wholehearted support.

Washington Post Writers Group.

## Black Humor Tells Why the Wall Fell

By Karl E. Meyer

BERLIN — In outworn cliché, Germans are as heavy as their national debt, bereft of a sense of humor. A visitor here quickly learns that this is not true of Germans in general, or in particular of Ossis, the former citizens of the Communist East. This was readily apparent in Berlin this November, the fifth anniversary of the demise of the wall that scarred the city.

The sober German of stereotype was indeed visible in seemingly endless and earnest television talk shows on "die Wende," shorthand for the great change attending unification. But in bookstores there was a less formal observance, marked by the dry, even grim humor at which Berliners excel.

Published in time for holiday giving are three fast-moving titles that mock the solemnities of the Cold War. "DDR-Witze," or "German Democratic Republic Jokes," offers a year-by-year compendium of political humor, assembled by Reinhard Wagner, an Ossi himself. These are from the 1970s:

"Napoleon, Nasser and John Kennedy, on meeting in heaven, find much to praise about East Germany. 'If I had had the People's Army at my disposal, I wouldn't have lost the Sinai in my war with Israel,' says Nasser.

"If I had had the Stasi [the East German secret police], says Kennedy, 'I wouldn't have been assassinated.' "And if only I had a newspaper like Neues Deutschland," Napoleon interjected, "they still would not know I lost the Battle of Waterloo."

In his cockpit, an airline pilot is confronted by a hijacker with a pistol, who says, "We're flying out to Moscow but to Stockholm." The pilot shrugs: "I'm sorry, sir, but behind you is a DDR grandmother with a bomb in her purse, and she wants to fly to Majors."

Question: What is the difference between the erstwhile DDR coffee mix and the new DDR coffee mix? Answer: You can protest the neutron bomb. Better than any polemic, these lines expose the crippling infirmities of a system that crumbled overnight, to the astonishment of its leaders as well as of the CIA.

But imagine that the opposite had occurred, that a great popular uprising in 1989 had united Germany under communism. Such is the amply illustrated documentary fantasy offered by Reinhold Andert in "Rote Wende," or "Red Change."

Five years after the DDR conquers West Germany in this fantasy, bookstores everywhere are piled high with the works of party leader Erich Honecker (who in fact recently died in exile and disgrace).

Headlines focus on 12,000 homeless in West Berlin, and every television channel offers the same mix of sanitized news, corny "Everybody sings!" reviews and a documentary life of party founder Ernst Thälmann. That this is not outlandish burlesque is borne out by a work of unintended satire, "Teurer Genosse" or "Dear Comrade" ("dear" as in "costly"), consisting of often flowery letters to Mr. Honecker from eminent figures like the Pope, Fidel Castro and Saddam Hussein.

Most astonishing is a ode from Mr. Honecker's predecessor as party chief, Walter Ulbricht, who protests in unctuous bureaucratese that his name is out on the guest list for the celebration marking the 55th anniversary of "the Great Soviet October Revolution." The note concludes, "I hope you understand, as a participant in the Great Fatherland War, where my heart lies."

The wall fell because it was rotten from the top.

The New York Times.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1894: Inquisitorial Tax

NEW YORK — The Treasury says it cannot enforce the income tax unless Congress makes an appropriation for the purpose. Next to the device of custom houses for providing officials and red tape, the subject of income tax is probably the best scheme for encouraging bureaucracy and inquisitorial researches into private affairs.

### 1919: Karolyi's Fortune

BUDAPEST — [From our New York edition:] One hundred million crowns, contained in twenty-one cases buried deep in the cellar of Count Michael Karolyi's palace, has been discovered and confiscated by the Hungarian police. The treasure consisted of stocks, bonds, silver and gold, representing the former Premier's total fortune. Thorough searches by the communists failed to reveal the

treasure, although the palace was ransacked several times.

### 1944: New Opera Season

NEW YORK — [From our New York edition:] A miserable rain notwithstanding, 4,000 devotees thronged to the Metropolitan Opera House last night (Nov. 27), starting its sixtieth season of opera with a performance of Goethe's "Faust." They thus heartily echoed a choice which in 1883 first opened the building and accomplished one more chapter in a tradition which three wars have failed to daunt. Lone casualties from olden days appeared to be the white ties and tails once mandatory uniforms of dress for Metropolitan openings. The men among the audience were mild in black ties and even plain business suits. It was the women who maintained the splendor associated with six decades of openings.



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## Crisis Fears Rise With 2 Nepal Blocs Deadlocked

By John F. Burns

**KATMANDU, Nepal** — More than a week after elections produced a divided Parliament, the two main political blocs, the Communists and the centrist Nepali Congress Party, are at an increasingly tense impasse over which will form the new government.

Neither party has been able to line up a coalition partner to secure a majority in the 205-seat Parliament. The uncertainty has created a new constitutional crisis for King Birendra, who was forced by mass protests into ceding his ruling powers to Parliament in 1990.

Early in the vote count, the Communist Party of Nepal, the main force in the splintered communist movement, built up a strong lead over the Congress Party, which won power in 1991 in the first election after the king relinquished power. But a late surge by the Congress Party narrowed the gap.

The Communist coalition won 88 seats and Congress took 83. An additional 20 seats went to a rightist party with close ties to the king, the New Democrats, with the remaining 14 seats spread among minor parties and independents.

The contest for power has been sharpened by an election commission tally last week that showed that the Congress Party's late surge in returns from rural seats had pushed it past the Communists in the popular vote, 33 percent to 30 percent.

The Communists gained support Sunday from a tiny pro-Indian party, Agence France-Presse reported from Katmandu.

The pro-Indian, Nepali Sadbhavana Parishad Party has only three seats in Parliament, not enough to give the Communists a majority coalition.

Leaders of the Communist party were meeting late Sunday in preparation for the government's expected formation on Monday.

The Communists, growing impatient, have warned that they will call mass demonstrations if the Congress Party seeks to remain in power. This has caused widespread anxiety, particularly in Katmandu.



**END OF 'HANOI HILTON'** — Karen Black holding a brick from Hoa Lo Prison in Hanoi, where her husband spent 6½ years as a prisoner of war. The "Hanoi Hilton" was being demolished Sunday to make way for an office complex.

## 'Hanoi Hannah': War Legend Is at Peace

By Philip Shenon

**HO CHI MINH CITY** — Not many calling cards list an alias, but even in Vietnam few people would know this slight, elegant 65-year-old woman by her real name, Trinh Thi Ngo.

The alias — *Thu Huong* — means Autumn Fragrance, the name she first used as an English-language radio announcer in the 1950s because it was easier for her non-Vietnamese listeners to pronounce.

"Fewer syllables," she said in the clear, ocarina-like English that helped her become a legend. And even that is not the name that millions of American veterans would recognize.

For a generation of American troops at war in Indochina, Mrs. Ngo was Hanoi Hannah, the silky-voiced announcer on North Vietnamese radio, the Voice of Vietnam, who tried to convince American GIs that the war was immoral, that they should lay down their arms and go home.

"My work was to make the GIs understand that it was not right for them to take part in this war," she said. "I talk to them about the traditions of the Vietnamese, to resist aggression. I want them to know the truth about this war and to do a little bit to demoralize them so that they will refuse to fight."

It was the Americans who dubbed her Hanoi Hannah, the Vietnam War's counterpart to Tokyo Rose.

"I only heard the name later," said Mrs.

Ngo, whose propaganda broadcasts to American troops lasted from 1965 until the Americans left in humiliation a decade later. "The Americans like nicknames."

After Saigon was overrun in 1975 and renamed Ho Chi Minh City, she moved here with her husband. He is a retired engineer, while she still works in broadcasting, now at Vietnamese television.

Reared in Hanoi during the French occupation, Mrs. Ngo was sent to private tutors in the early 1950s to study English, a language that Hollywood had made her eager to learn.

"I always preferred American movies to French films," she said. "The French talked too much. There was more action in American movies. I remember 'Gone With the Wind' with Clark Gable and Vivien Leigh. It was so popular in Hanoi. I remember we took bread and sausages with us to the theater because it was such a long film."

Mrs. Ngo joined the Voice of Vietnam in 1955, the year after the Communists under Ho Chi Minh ousted the French and took power in Hanoi after years in the jungle. She was selected as an announcer on the radio's new English-language shortwave service, which was beamed overseas.

"I wanted to join the Voice of Vietnam because it was a good opportunity to help my country," she said. "I was not political. I was patriotic."

Her work did not take an anti-American turn until 1965, when the first American

ground troops landed in Vietnam and the Hanoi government decided to begin special broadcasts to them. Using scripts prepared by the North Vietnamese Army, Mrs. Ngo said, she was never tempted to alter a word, no matter how strident the tone.

"I agreed with these scripts," she said. "We were trying to make the Americans understand that it was not right for them to be in Vietnam, that they were an aggressor, that this was a problem for the Vietnamese to sort out."

Mrs. Ngo said her goal was always to project a soothing, convincing voice. She said she never felt aggression toward Americans as a people "except during the bombing" — the 1972 Christmas bombing of Hanoi.

And if she did once feel anger toward the United States, Mrs. Ngo insists that she put it behind her years ago. Like many northern Vietnamese, she expresses little but fascination for the land of her former enemy, and she hopes some day to visit "New York, Washington, many places."

Her enthusiasm for things American also extended to music, she said. To entice the American troops to tune in to her show, the propaganda was intercut with music from records and tapes taken to Hanoi by visiting anti-war protesters from abroad.

"We had Bob Dylan, Joan Baez, and I always liked Elvis Presley," she said. "He's 'The King,' yes?"

## Tanks Reassure Nervous Rio Army Crackdown on Crime Seems to Pay Off

By James Brooke

New York Times Service

**RIO DE JANEIRO** — Two olive green Panther helicopters whirled in wide circles over the vast, human amphitheater of the Nova Brasil shantytown. But in the shadows of one narrow alley, one cocaine trafficker said an eventual occupation by Brazilian Army soldiers gave him no fear.

"The army won't come in to massacre us," said the trafficker, a lean young man sporting new sneakers. "Our guns will be hidden. There won't be any shooting."

One week after army tanks and armored cars began running out of barracks in Rio for a crackdown on crime, the army has emerged as a reassuring and nonviolent disciplinarian in a city hungry for law and order.

After dozens of shantytown operations, the casualties amount to only two — one soldier and one shantytown resident, both apparently wounded by accident. Most of the roughly 200 people detained have been released.

No major arms arsenals or drugs caches have been found. But for a frightened city, the television images of helicopters and camouflaged soldiers at checkpoints have had a positive impact: From talk radio to beach chatter, Rio residents overwhelmingly say they feel safer than they have in years.

"There is a less aggressive climate in the streets," said Manoel Francisco Brito, ex-

ecutive editor of *Jornal do Brasil*, an independent newspaper here. "People feel safer in the streets. It is undeniable that Rio is safer."

Even the simple announcement on Oct. 31 that the military would take control of Rio's police forces apparently was enough to cause crime to drop in the city, the nation's second largest. In the first two weeks of November, car thefts were down 10 percent, bank robberies were halved and murders were down 75 percent from the comparable period in October.

On Friday, in one of the largest operations to date, about 1,000 soldiers occupied a shantytown near the middle-class Tijuca neighborhood.

With army squads likely to set up surprise checkpoints at any time or any place, criminals seem to be more reluctant to venture out with guns or to drive around the city in stolen cars.

As peace offerings, gangs in two neighborhoods abandoned small caches of weapons accompanied by hand-scratched signs saying they were leaving town.

"Our goal is to reduce crime to tolerable levels," Colonel Ivan Cardozo, the army's spokesman, said of the military's mission. The intervention is scheduled to expire at the end of December, but the governor-elect of Rio de Janeiro state, Marcelo Alencar, an enthusiastic supporter, is committed to extending the deployment into next year.

Daily press briefings by an army officer dressed in civilian clothes evoke memories of the days two decades ago when Brazil's army, using torture and assassination, fought to wipe out urban guerrilla groups. But in the decade since military rulers left power, society's worries have shifted from Communists to criminals, and the army's tactics have shifted from the use of force to the show of force.

While American and European tourists may be alarmed at the sight of jeep convoys of soldiers carrying light automatic weapons, Brazilians seem to like what they see on national television. A flood of bookings is filling Rio hotels for New Year's Eve, when a fireworks display and a concert by Rod Stewart are expected to draw 3 million people to Copacabana beach.

"All the hotels will be full over New Year's," predicted Phillip Carruthers, general manager of the Copacabana Palace Hotel. "If this army exercise works out, I think we are going to get more Brazilians for the summer and for Carnival."

Popular approval for the military intervention stretches to the *favelas*, the hillside homes of many of the city's working poor.

In a poll of Rio residents taken one week before the army action, backing for the military averaged 85 percent. Support was slightly higher among less educated and more impoverished respondents.

## Guerrillas Kill 16 Policemen in India

Reuters

**HYDERABAD, India** — Maoist guerrillas who have vowed to prevent elections in the southern state of Andhra Pradesh killed 16 policemen with a land mine, officials said Sunday.

The police officers were traveling in a truck to a remote security post in the district of Karimnagar, where Prime Minister P. V. Narasimha Rao addressed an election rally on Friday, when the mine exploded under their vehicle on Saturday night.

The officials said there were unconfirmed reports that three civilians also had been killed in the attack, part of a Maoist campaign to disrupt elections seen as crucial to the future of Mr. Rao and his Congress (I) Party.

Andhra Pradesh is due to vote for a new state assembly on Dec. 1 and 5, and defeat for the Congress (I) Party, which local opinion polls say is likely, would be a major embarrassment for Mr. Rao.

Thousands of paramilitary

police, many of them from outside the state, have been deployed to counter attempts by the Maoist guerrillas to disrupt the elections.

The 16 policemen who were killed were all from the northern state of Punjab.

On Thursday, guerrillas kidnapped the brother of one of Mr. Rao's sons-in-law and demanded a 10 million rupee (\$32,000) ransom for him. The police said Sunday that the man had been freed. They declined to comment on whether ransom had been paid.

## Our Newest Chrysler Has A Lot To Live Up To.

How do you build a car that has to live up to some amazing automotive reputations? The best way we know is to borrow a little from each. And that's just what we've done with the new Neon. From Chrysler's Vision we've taken cab-forward styling, which gives the car a wide track for precise handling while

of its 16-valve, 132-horsepower (98 kW) engine can't help but remind you of Viper's love of the open road. And there's a spirit of adventure that undoubtedly comes from Jeep, Grand Cherokee. But as much as Chrysler's Neon borrows from its relatives, its personality is all its own — that of a good friend and a great car. Neon may



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## Israel and Jordan Announce the Start Of Diplomatic Ties

Compiled by Our Staff From Dispatches  
JERUSALEM — Israel announced the establishment of diplomatic ties Sunday with Jordan, a month after signing a peace treaty ending a 46-year state of war.

It made Jordan the second Arab country to have such ties with the Jewish state. The other is Egypt, which signed a treaty with Israel in 1979.

Israel and Jordan "hereby declare as of today to establish diplomatic relations at the ambassadorial level," a Foreign Ministry spokesman, Danny Shek, said in a statement.

He said the new relations aim to consolidate and enhance the two nations' peace "to the benefit of expanding the horizons of a just, lasting and comprehensive peace in the region."

The ministry's director-general, Uri Savir, told Israeli radio that ambassadors would be exchanged Dec. 10, or within the six weeks allotted by the peace treaty signed Oct. 26.

A simultaneous announce-

ment, broadcast in Amman by state-run radio, said that Jordan's 31-member cabinet had approved the ties.

Israel has not named its ambassador to Amman. The daily Yedioth Ahronoth said that the outgoing army chief of staff, Lieutenant General Ehud Barak, had turned down the post.

In an issue relating to another neighbor, Mr. Savir also said that Israel has asked the European Union to reconsider its expected decision to lift an embargo on arms sales to Syria.

"There is still a Syrian embargo on a peace agreement and on direct peace negotiations" with Israel, he said, calling any lifting of the embargo "a diplomatic mistake."

An EU official said Friday that the eight-year ban would be lifted when its ministers met a Syrian delegation in Brussels on Monday. The ban was imposed after charges that Syria was involved in an attempt to smuggle explosives onto an Israeli airliner. (A.P. Reuters)



An elderly man praying among the more than 10,000 Palestinians at a Gaza Islamic rally.

## GAZA: Palestinian Police and Islamic Fundamentalists Struggle to Maintain a Fragile Peace

Continued from Page 1  
to anonymous graffiti artists and pamphleteers.

"Yasser Arafat does not even deserve to be a Palestinian," said a rally organizer. "His actions show that he has no relationship to the Palestinian people."

Likewise, Arafat loyalists have called Hamas a puppet of other countries.

"I fought the Israelis for 25

years, and I don't need some bearded guy in Iran to approve my nationalist credentials," said Mr. Jabali.

But neither side wants civil war.

Mr. Arafat regards his fledgling and limited self-rule authority as the nucleus of a future Palestinian state, which would have the West Bank as its heart. Aides said he knew Israel would not cede the West Bank

until he had produced at least relative stability in Gaza.

The Islamic militants, for their part, know they are outnumbered and outgunned by the PLO security force. They also have found a measure of security in Mr. Arafat's autonomous zone. Nowhere in the occupied West Bank could a Hamas leader make explicit threats to direct its "guns against Israel" — as Mr. Fajali did in Gaza.

"We are mainly concerned with damaging Israel," he said. "Our equation is, the more we will answer back in Israel because we consider the authority the tool of Israel and we will hit against its head."

Settler Killed by Gunmen  
Gunmen believed to be Islamic militants opened fire Sunday on a car carrying Israeli settlers near the West Bank

town of Beit Hagai. The Associated Press reported. Officials said one Israeli was killed and another was wounded.

More than 30 bullets were fired in the barrage, according to Israeli radio.

Israeli sources said a car carrying at least two armed men overtook the settlers' car and then the gunmen opened fire. One source said the driver was hit by bullets and lost control of the car, which then overturned.

## A BOY!: Passengers and Crew Pitch In During the Birth of a Baby Aboard Florida-Bound Jet

Continued from Page 1  
quent, and it appeared that she was starting to hemorrhage.

"The plane has to come down," Dr. Rachlin told the crew. Captain Gerald McFerrin radioed controllers at the closest major airport, Dulles International Airport outside Washington, that he was going to make an unscheduled landing.

That was when most passengers on Flight 265 learned what was going on.

"I want every arm, elbow and foot out of the aisle!" ordered Connie Duquette, a flight attendant for 22 years. The crew began running linens between first class and Mrs. de Bara's airborne bed.

Suddenly she screamed. Holding his wife's legs, Mr. de Bara could see black hair as his son's head appeared. "I felt helpless," he said. "We had worked so hard for this baby, I didn't want it to end like this."

"It's here," the doctor announced. The cabin was eerily silent. Dr. Rachlin told Theresa to take deep breaths and push. Out came the baby, the umbilical cord wrapped around his neck. The plane was 90 miles (150 kilometers) from Dulles.

The child was not breathing. A couple several rows away rushed over and identified themselves as Jim and Jen Midgely, paramedics from Massachusetts. They had delivered

about a dozen babies, and Jen Midgely said her specialty was infant respiratory procedure.

She needed a straw to suction fluid from the baby's lungs, but no straws were on board. Then a flight attendant remembered she had a juice box with a tiny, bendable straw. Mrs. Midgely gently pushed it down the infant's throat while Dr. Rachlin administered CPR. The child began to breathe on his own. Something was needed to tie

off the umbilical cord. Miss Duquette looked down and saw a pair of dirty sneakers. The flight attendant hesitated for a moment. "Then I saw a man wearing new shoes, and I said, 'Sir, I need your shoelace,'" she said. "He whipped that shoelace off so fast."

As the plane landed and taxied down the runway, Miss Duquette got on the public-address system. "It's a boy." The cabin erupted in applause. The flight attendants were crying. Finally, so was the baby.

As with all premature infants, Matthew's recovery is still uncertain, although the early prognosis is good. He weighed 4 pounds 6 ounces and was 17 inches long.

Emergency workers took mother and newborn to the hospital. The de Baras credit the hospital staff for their son's middle name. After his doctor, and then the nurses, started calling him Dulles, the name sort of stuck.

Dr. Rachlin and the others went back to their seats, and 30 minutes later the plane was on its way to Florida. Everyone got free drinks. The doctor had a couple.

## A Major Crisis Looms at NATO: Bosnia Splitting U.S. and Allies

By Craig R. Whitney  
New York Times Service

BONN — In London, Paris and here in Bonn, some officials are beginning to fear that NATO could be headed toward its gravest crisis since 1956, when the United States clashed with Britain and France over their attempt to seize the Suez Canal.

This time, the issue is Bosnia, where Europeans and Americans have been at odds over how to react to aggression by Bosnian Serbs against the Muslim-led Bosnian government.

Disagreement is becoming increasingly acrimonious, despite diplomatic attempts to patch up the quarrel.

Last week, according to diplomats, the undersecretary of state for political affairs, Peter Tarnoff, went to Paris to see Foreign Minister Alain Juppé. His mission was to deny, in person, recent reports that the United States had been secretly arming the Bosnians.

According to one diplomat, Mr. Juppé told Mr. Tarnoff, "I take note of your statement" — diplomatic language, unusual between supposed allies, for "I won't come right out and say it, but I don't believe you."

In London, advisers to Prime Minister John Major worry that the new, Republican-dominated Congress could force President Bill Clinton to a unilateral U.S. decision to violate a United Nations-imposed, NATO-enforced arms embargo against the Bosnian government.

Acting under congressional pressure, Mr. Clinton has already directed U.S. ships to stop taking active measures to enforce the naval blockade in the Adriatic to halt ships with arms for the Bosnian govern-

ment, and not to share intelligence about them with the allies.

American officials say that much depends on whether Senator Bob Dole, who is expected to become majority leader of the new Senate, can be persuaded to change his mind about the wisdom of Washington's unilateral violating the embargo. Mr. Dole will be in London next week, and Mr. Major is

### NEWS ANALYSIS

ready to tell him that such a move would expose the 18,000-strong UN protection force in Bosnia to disaster.

"If the parties restart all-out war or the arms embargo breaks down," the UN military force in the Balkans could have "no choice but to withdraw," the prime minister said Thursday.

NATO has approved contingency plans for providing air support and ground reinforcements to cover such a withdrawal, if it becomes necessary, but diplomats in all the major capitals say that a humiliating retreat forced by unilateral U.S. action would put NATO under strain for years.

British and American officials hope it will not come to that. But on Thursday night, a U.S. attempt to persuade the NATO allies to get tough on Serbs attacking the northwestern Bosnian enclave of Bihać ran aground in Brussels when France objected, saying that enforcing a United Nations "safe area" around the town would take thousands of additional ground troops.

France, with 6,000 soldiers already in the former Yugoslavia, could not provide any more. And the British, with

about 4,000, said in effect, "Don't look at us."

So, the French representative at the meeting wanted to know, where were the soldiers needed to make this new American plan work going to come from?

The United States remains unwilling to provide any. Mr. Clinton concluded after he was elected that the American people did not want him to risk American lives in the Balkans.

Instead, he sent Secretary of State Warren M. Christopher to Europe to try to persuade the allies to lift the arms embargo for the Muslim-led Bosnians and to support them with air strikes against the Serbs.

Mr. Christopher failed, and the United States failed again on Thursday to get the allies to agree to carry out air strikes against the Serbian forces now occupying 15 to 20 percent of the safe area around Bihać unless they withdrew and allowed the Muslim defenders safe passage out as well.

NATO and American officials have begun openly disparaging the "double-key" arrangement the alliance made with the United Nations when it first stepped into the conflict in 1993 in an effort to deter more vigorous military action. NATO has no combat forces in Bosnia and can send in air strikes only if civilian and military commanders of the UN force approve.

"I hope we never see it again," the assistant secretary of state for European Affairs, Richard C. Holbrooke, said Thursday in London. "The dual key turns into a dual veto, because of the enormous complexity of two different command structures with two different missions."

## BIHAC: Serbs Keep Up Attack and Take UN Hostages

Continued from Page 1  
would put them well on their way to uniting Serbian-held Bosnia with Serbian-controlled Croatia.

A senior UN official said that by accepting the deal, the mostly Muslim government appeared to be acknowledging that it was in "a fatally weak position."

Indeed, Serbian assaults Sunday on the Bihać pocket continued to squeeze the Muslims. The UN chief spokesman, Michael Williams, said that instead of halting the Bihać safe area, Croatian Serbian forces had taken the initiative and hammered the northern town of Velika Kladusa with tank and

artillery fire along with a ground assault.

Under the terms of an agreement made between the North Atlantic Treaty Organization and the UN peacekeeping command in October, each side can request air strikes in Bosnia but only the UN command in Zagreb can approve them.

That agreement was worked out because of NATO concerns that the UN mission was ignoring Serbian violations of two weapons exclusion zones, around Sarajevo and Gorazde, and UN Security Council resolutions in the interest of appeasing the Serbs so that their heavily armed forces would not hurt UN soldiers.

In Bihać itself, a UN official described the situation as "extremely dire." Speaking by telephone to reporters from the Bihać enclave, Ed Joseph, a civil affairs officer, said people felt that "just next door is the holocaust, the wolf is at the door." He said Serbian from lines had already encroached into the built-up parts of Bihać town.

Few people, however, wanted to leave, he said, because there was no place to go.

"They'd be leaving whatever food and shelter they have now for some other place that doesn't even have the paper status of a 'safe area,'" he said. "They're prepared to die."

## WAR: U.S. Offers Its Gloomiest View Yet on Bosnia

Continued from Page 1

The Senate, said in a televised interview that NATO had suffered "a complete breakdown" in Bosnia, and he called for the removal of all 24,000 UN forces, including the UN leadership there. The special envoy, Yasushi Akashi, and Lieutenant General Michael Rose.

"Pull 'em out," an angry Mr. Dole declared. "They're not doing their job and they're in harm's way."

"This is a classic failure in which NATO has been tied in knots" by the United Nations, Mr. Dole said on the eve of a European trip that will include meetings with NATO officials.

He also said that Congress should "take a hard look" at U.S. funding for UN operations.

The senator also said that Hris Slajdzic, the Bosnian foreign minister, believed that the Serbs may have obtained a new air-defense system from Russia. Mr. Dole provided no details, but he repeated his call for a lifting of the UN arms embargo in Bosnia.

Mr. Perry said that any historical assessment of the Bosnian war would have to conclude that UN peacekeepers had succeeded in limiting the level of violence there and in preventing the civil war from spreading to

neighboring countries. But he acknowledged that the West had not succeeded in stopping the conflict.

"To affect the outcome of the war, to win the war, so to speak, would take several hundred thousand troops with heavy weapons, undoubtedly involving significant casualties," he said.

Now, President Clinton has decided not to make that commitment. President Bush before him decided not to make that commitment, and I have to tell you that I am not prepared to recommend the deployment of those several hundred thousand ground troops."

## DIVISIONS: New Era's Dangers Rivaling Cold War's

Continued from Page 1

Yugoslavia has seen an atavistic retreat into nationalist fury that has cast the shadow of concentration camps and the Serbian slaughter of Bosnia's Muslims across the European Continent.

Against this madness, grand Wilsonian principles like the self-determination of peoples and grand institutions like the United Nations and NATO have proved no insurance.

All of them will probably have to be rethought after the death of 250,000 people and the displacement of 2 million in a Bosnian conflict born of old grievances, economic stagnation, the cynical leadership of communists-turned-nationalists and Western disarray.

Certainly, the gloom of Bosnia has come not only from the fighting. It has also stemmed from the way NATO, the European Union and the United Nations have been revealed as cumbersome and divided before the ethnic conflicts of post-communist Europe.

In July, President Bill Clinton was celebrating cooperation between the United States and Europe during the Cold War.

"No wall can forever contain the mighty power of freedom," he intoned in Berlin, at the site of the wall that once divided the city. But he did not mention the divided city of Sarajevo, where American soldiers have been as conspicuously absent as they were decisively present in Berlin, and his words rang hollow in a Europe now increasingly bereft of American leadership.

Of course Sarajevo is not Berlin, at least not yet: a division of

the world into hostile blocs does not lurk behind the city's barriers. But it is far from clear that Europe's new cleavages, rooted in the vagaries of tribal allegiance, are less menacing than those of the Cold War. Already, the potential of Bosnia's rival armies to be proxies for a resurgent Islam and for pan-Slavic sentiment is apparent.

Already, the three states in Eastern Europe without a clear ethnic identity — the Soviet Union, Yugoslavia and Czechoslovakia — have disintegrated since the fall of communism five years ago.

But fertile soil for the Yugoslav disease exists elsewhere in Eastern Europe and the Balkans. Long subservience to alien empires or Communist Party rulers, economic backwardness, historical grievances and the general absence of democratic tradition have created receptive audiences for militant nationalism, which has a facile appeal in that it promises a glorious future on the basis of a supposedly glorious past.

There are more than 25 million ethnic Russians outside Russia, at least 2.3 million ethnic Hungarians outside Hungary, at least 2.2 million ethnic Albanians in Macedonia and the Kosovo region of Serbia, a vociferous Greek minority in Albania and a large Turkish minority in Bulgaria.

If Serbian claims to territory could bring an intractable war to the Balkans, what of an eventual explosion of Russian nationalism under Vladimir V. Zhirinovskiy, or an Albanian drive to unite its people in a

single country or a sudden Hungarian itch to recover the large swaths of territory lost to Romania, Yugoslavia and Czechoslovakia after World War I?

Unease is evident. Ethnic Albanians vow to achieve autonomy, or even independent states, in Kosovo and western Macedonia. Greece has expelled more than 50,000 ethnic Albanians in reprisal for the arrest of five ethnic Greeks in Albania. The ethnic Russians in the Baltic states and the Ukraine are a lingering source of tension.

Romania's Hungarian minority is fuming over a recent decision by the local authorities to remove a bronze statue of a 15th-century king, Matthias, from the Transylvanian city of Cluj because, some Romanians say, he symbolizes 500 years of Hungarian oppression before Transylvania became Romanian after World War I.

Availing these dangers is arduous. The Iron Curtain was all of a piece; it could be pulled, and American troops, among others, did so. But the jagged fragments of old enmities constitute a mined and scattered terrain.

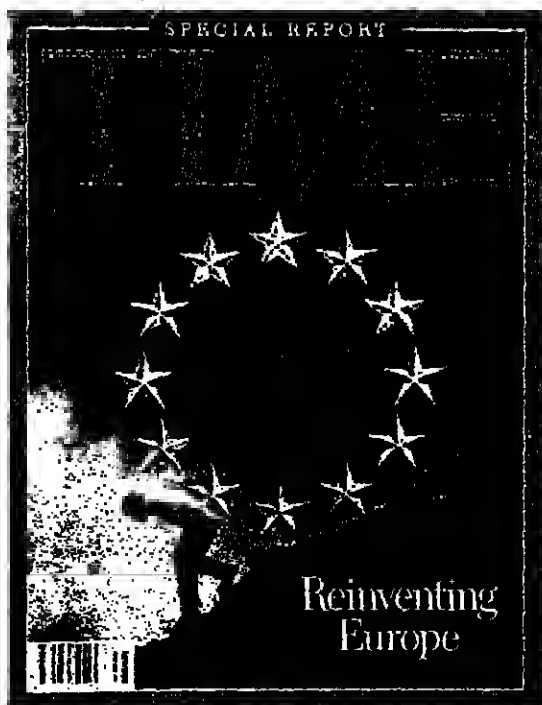
"The Yugoslav war has revealed Western institutions as bungling, incompetent and powerless," said Jonathan Eyal, the director of studies at the Institute of Strategic Studies in London. "We thought we could bark and people in the Balkans would listen, but they defied us and found us naked. The message that sends is terrible: The only question now is how violent the Bosnian war will be and how far it will spread."

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TIME



## Smokeless Cigarette to Refire Industry?

By Philip J. Hilts

New York Times Service

WASHINGTON — Faced with shrinking markets and mounting attacks by anti-smoking groups, the R. J. Reynolds Tobacco Co. plans to market a cigarette next year that produces little smoke or odor and no ash but still contains as much nicotine as regular cigarettes.

The company, which has spent about \$500 million in the last decade developing the low-smoke cigarette, is gambling that such a product can bring new life to the industry.

The new cigarette, R. J. Reynolds hopes, could undercut some of the most basic arguments made against smoking: that cigarettes are extremely hazardous to smokers and that secondhand smoke is irritating and harmful to nonsmokers.

The argument on secondhand smoke has led to smoking bans in 700 cities and counties in the last two years, prohibiting smoking in public places as diverse as airplanes, restaurants and even sports stadiums.

The new cigarette, called Eclipse, does not burn the tobacco but uses smoldering charcoal to extract the flavor, cutting the cancer-causing tars of other cigarettes by 90 percent, company executives say. But R. J. Reynolds stops short of making direct health claims for the cigarette because it does not have the scientific evidence to back up the claim.

The company introduced a similar non-burning cigarette, called Premier, in 1988, but it was withdrawn because smokers disliked the flavor and critics protested that it was intended to lure new smokers and prevent current ones from quitting.

Reynolds, which it has found a way to deal with those problems. The objections

by smokers have been largely overcome by making the cigarette smell, taste and look more like a regular cigarette. And the company plans to market Eclipse in an unusual manner: in town meetings in which smokers would be introduced to the cigarette

**R. J. Reynolds is again gambling that a new product can undercut some basic arguments made against smoking.**

and then, once convinced, would, the company hopes, spread the word about it. Reynolds says the converts could also be the company's strongest advocates against government regulation that could take the cigarette off the market.

Thomas C. Criscom, executive vice president of Reynolds, said that the company saw Eclipse as a small share of the market in the beginning — perhaps 1 percent — but that the share would steadily grow as people tried the new cigarette. "After that, there is no way of knowing how big the market could be, because there is no other product like this," he said. "This is where we hope the future of the company is."

Because the new cigarette delivers as much nicotine as regular cigarettes, it is just as addictive. Nicotine, although not the most harmful component of conventional cigarettes, nevertheless carries some risk of heart disease. The cigarette also delivers about as much carbon monoxide, which is toxic to the lungs, as regular cigarettes.

James O'Hara, the chief spokesman for

the Food and Drug Administration, said, "We haven't seen this new product yet, but the scientific data needs to be looked at, and we would be pleased to meet with the company."

For more than a year, Reynolds has been conducting consumer tests in which the cigarette has scored very strongly both among smokers and their nonsmoking spouses and family members. More than 80 percent of both groups who have been part of the testing say they believe the cigarette is a breakthrough.

The Eclipse cigarette looks like a standard, white filtered cigarette, and contains tobacco and reconstituted tobacco parts as conventional cigarettes do. But it does not work as a regular cigarette does.

The crucial difference is at the lit end. At that end is a piece of charcoal, wrapped in a fiberglass insulator. When the charcoal is lit, it burns at about 900 degrees centigrade, (1,652 degrees Fahrenheit) or about the same as the flame on a regular cigarette. But it is wrapped in an insulator so that it does not start the tobacco on fire.

Just behind the charcoal are processed tobacco parts containing more than 50 percent glycerine, which vaporizes at temperatures below those that would burn a cigarette. The glycerine thus makes a smoke-like medium that can carry the tobacco flavors without burning the tobacco.

In effect, then, the cigarette works like a coffee maker. The hot air passes through the glycerine and tobacco, carrying flavor and nicotine, just as water passing through coffee grounds picks up flavor, and leaves the coffee grounds behind in the filter.

Because the cigarette does not burn, it remains the same length after it is smoked and the tobacco taste is depleted.

**DICTATORSHIP OF VIRTUE: Multiculturalism and the Battle for America's Future**

By Richard Bernstein. 367 pages. \$25. Alfred A. Knopf.

Reviewed by Nicholas Lemann

IN the prologue where he sets out his purpose, which is to exhort the Left (mostly educational) for the sins it commits in the name of fighting racism and sexism, Richard Bernstein demonstrates that the phenomenon he deplores is on the rise by doing a Nexis search for the words "multiculturalism" and "multiculturalism." There are 40 appearances in 1981, more than 2,000 in 1992: "a 50-fold increase in just 11 years."

Another side of the story can be imparted by replicating Bernstein's Nexis exercise using the phrases "politically correct" and "political correctness," which are used always sarcastically, never straightforwardly, by the opponents, not the supporters, of multiculturalism. The result is 7 appearances in 1991, and 5,007

in 1992 — a 700-fold increase during the same period.

Perhaps it doesn't look this way to people on campuses, but from the outside a pitched battle appears to be going on over multiculturalism, with both sides passionate and well armed.

To appreciate "Dictatorship of Virtue" fully, though, requires sharing the view of Bernstein, a New York Times reporter, that criticism of political correctness "for a few weeks, was something of a national media event," whereas multiculturalism is "a movement gathering force," "extremely powerful," "vast and ever-growing," "the establishment" and "a giant force," providing entrée "to book contracts, to prominence in American life"; it "covers the public discussion of crucial issues with a layer of fear."

In short, "the multiculturalists have won."

If this is the case, then the horror stories that make up the heart of this book merely dramatize a much more general campus reign of terror in which free thought and speech no longer exist, the cause of "diversity" is used to impose a rigid

## BOOKS

WHAT THEY'RE READING

Yannick Noah, captain of the French Davis Cup team, is reading "Face à la Déresse," by Professor Léon Schwartzberg. "The professor is a friend of mine, we were recently in Jericho and Jerusalem playing football. I was particularly interested in his views on the situation of society and ethics in France today. His explanations are lucid and enlightening."

(Margaret Kemp, IHT)



conformity, and forced re-education and show trials of political criminals are commonplace.

Mary of Bernstein's anecdotes will be familiar, at least in outline, to readers who keep up on the PC issue, because they have been written about often enough to form a miniature canon: the proposal to require freshmen at the University of Texas to take a course called "Writing About Difference"; the persecution of a Penn student who called a group of black women "water buffalo"; Brookline High School's attempt to drop a European history course; the assigning of "Children of the Rainbow Curriculum" in New York City public schools; the firing of a tenured professor at the University of New Hampshire over flimsy sexual harassment charges; the leaflet at Smith College that labeled "lookism" a form of oppression, and so on.

Bernstein, whose previous books include "From the Center of the Earth" and "Fragile Glory," recapitulates these cases with drama and fervor, on the basis of his own interviews and of printed and taped material given to him by the anti-multiculturalists, along with more pro forma research about the other side's position.

He presents himself as being a

believer in multicultural principles. But he says he has become disillusioned after seeing so much bad done in the name of good — hence the book's title.

Notwithstanding this endorsement of multiculturalism in principle, Bernstein never finds a single example of it in practice that he approves of. Everything multiculturalists protest fails to cross his own threshold of outrage. Every multiculturalist thrust is presented as self-evidently absurd.

To pick a small but representative case, only somebody who hasn't carefully read the work of the leading historians of the American West could see, as Bernstein apparently does, Frederick Jackson Turner as someone who is out of fashion only because he has been deemed "Eurocentric," and his revisionist, Patricia Nelson Limerick, as a heavy, ill-informed ideologue.

Certainly, Bernstein's complaints about people who have "an exaggerated sense of grievance" and about an "industry of exaggeration" that has created "a misleading impression of American life" are strangely easy to apply to his own work.

Nicholas Lemann, a national correspondent for The Atlantic, wrote this for The New York Times.

## BRIDGE

By Alan Truscott

THE first National Par Contest was played with 301 entrants playing in their own homes, eyes glued to computer screens.

Consider how to play four hearts on the diagramed deal after the lead of the diamond deuce. When North invites game by raising one heart to three hearts, limit, South thinks he has plenty in hand for game. He is slightly worried about missing a slam, but as it turns out even a game is defeated if a spade is led.

This par deal had a simple moral: think carefully at the first trick, because the second trick may be too late. Luckily for South, a diamond is led, not a spade, and he inspects the dummy. He discovers an irritating duplication of distribution: each of his suit lengths exactly matches the dummy's. He is in danger of losing two spade tricks, a diamond and a club, and this will happen if West has an opportunity to lead spades twice. He has already missed one chance, but will get two more if South casually wins the first trick.

The key to success is to let

East win the first trick with the diamond nine. Declarer then wins the diamond return, draws trumps, cashes the remaining high diamond and plays the ace and another club. West wins with the king and leads a spade, but too late. South plays low from dummy, and when East wins with the jack he must make a losing lead: either a spade from the king, or a minor-suit card giving a ruff and stuff.

North and South were vulnerable.

The bidding:  
East 1♥ South 1♠ West 1♠ North 3♥  
Pass 4♥ Pass Pass

West led the diamond two.

## Archbishop Rivera of Salvador Dies at 71

Los Angeles Times Service

SAN SALVADOR — Archbishop Arturo Rivera y Damas, who led El Salvador's besieged Roman Catholic Church through civil war as its priests were assassinated and its parishioners persecuted, died Saturday of a heart attack, his aides said. He was 71 years old.

Often the lone voice of the nation's conscience, Archbishop Rivera spent much of the 1980s promoting dialogue between leftist guerrillas and the U.S.-backed government forces, who fought a war in which tens of thousands of people died. His efforts helped bring about the peace accords that ended the conflict in 1992.

As the peace agreements faltered in recent months, Archbishop Rivera spoke out to demand political reforms, a fair system of justice and an end to the impunity that has allowed

some of the war's worst atrocities to go unpunished.

He was appointed by Pope John Paul II after the murder in 1980 of Monsignor Oscar Arnulfo Romero, a critic of the army and the government.

The new archbishop adopted a less confrontational, more measured style. He emerged in the 1980s as a champion of human rights and social justice.

Michael Somes, 77, Ex-Star Of Royal Ballet in London

LONDON (NYT) — Michael Somes, the first male star to be trained by the Royal Ballet and Margot Fonteyn's long-time partner, died Nov. 18 in London. He was 77 years old.

The cause was a brain tumor, according to the newspaper The Guardian.

Mr. Somes was often called the conscience of the Royal Bal-

let because of his familiarity with the company's development since the 1930s and his high standards in teaching and staging the troupe's signature works in London and abroad.

As a performer, he made his reputation as a *danseur noble*, who excelled in the 19th-century classics and in Frederick Ashton's ballets. But after he succeeded Robert Helpmann as Miss Fonteyn's regular partner in 1950, audiences identified him largely with one of classical ballet's most notable partnerships.

His achievement in this regard was summed up in 1957 by John Martin, dance critic of The New York Times, who noted Mr. Somes's deliberate "self-effacement" with the English ballerina but added: "How large he looms as an artist in his own right. Visually handsome

and noble in carriage and deportment, he infuses the succession of basically wooden princes with humanity and innate gallantry."

Willem Jacob Layten, 95, an astronomer whose work expanded the understanding of stellar motion, dying white dwarfs and the origin of the solar system, died of heart failure Nov. 21 in Minneapolis.

Maynard L. Pennell, 84, a former executive of Boeing Co. who for 34 years played a leading role in the development of nearly every type of aircraft the company made, died of Parkinson's disease Tuesday in Seattle.

George J. Feldman, 91, a former U.S. ambassador to Luxembourg and Malta and a leading figure in the U.S. space effort, died Tuesday in Bryn Mawr, Pennsylvania.

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For summaries of the surveys from which these facts are taken, please call, in Europe, James McLeod on (33-1) 46 37 93 81; in Asia, Andrew Thomas on (65) 223 6478; in the Americas, Richard Lynch on (212) 752 3890.

Source: \* VIVA Surveys '92/'93. † Reader Survey '94.

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## Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending Nov. 25. Prices supplied by Telex.

Risk Name Cdn Maturity Price Yield

147 Austria 7% 10/18/04 100.000 7.4200

148 Belgium OLO 7% 04/29/99 97.660 7.1700

149 Belgium OLO 7% 04/29/99 97.380 7.4500

207 Belgium OLO 7% 10/15/04 96.700 8.1000

British Pound

141 Denmark FRN 5% 08/24/98 99.900 5.5500

178 Denmark FRN 5% 11/17/97 99.250 8.6400

244 OEC 8% 11/18/94 100.750 8.1900

Canadian Dollar

235 Canada 7% 09/15/96 99.850 7.7600

Danish Krone

1 Denmark 7% 12/15/04 99.250 7.8500

12 Denmark 7% 11/17/04 99.250 7.8500

26 Denmark 8% 05/15/03 99.250 8.1000

28 Denmark 8% 07/15/03 99.250 8.1000

47 Denmark 8% 02/15/03 99.250 8.1000

54 Denmark 9% 11/15/96 102.700 8.2600

59 Denmark 9% 11/15/95 101.750 8.2600

111 Denmark 9% 08/15/96 101.750 8.2600

190 Denmark 9% 01/02/95 99.250 8.2600

191 Denmark 9% 01/02/95 99.250 8.2600

192 Denmark 9% 01/02/95 99.250 8.2600

206 Denmark 9% 04/03/95 99.250 8.2600

Deutsche Mark

1 Treuhand 7% 09/09/04 100.780 7.4900

2 Germany 7% 11/11/04 100.780 7.4900

16 Germany 7% 11/11/04 100.780 7.4900

26 Germany 8% 05/15/03 100.780 7.4900

28 Germany 8% 07/15/03 100.780 7.4900

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## Bond Issues Aim to Please Investors

By Carl Gewirtz

International Herald Tribune

PARIS—A year-end rally appears to be under way in the international capital market. Institutional investors who are keen to show large holdings of cash in the year-end reports are in a buying mode, while underwriters who are eager to improve their standing are only too willing to propose attractive terms and conditions to prospective investors.

Last week's fall in equity prices, widely read as a precursor to slower economic growth, gave a big boost to bond prices and improved the market's mood. But skepticism abounds about how much further bond prices can advance in the current environment.

These doubts are shared by investors, who showed a clear preference for very short-dated fixed-income paper and floating-rate notes, which provide the greatest safety against increases in interest rates.

The major impediment to whether the signal from the U.S. equity market is correct or whether substantial further tightening of interest rates lies ahead.

The view at Salomon Brothers Inc. and J.P. Morgan & Co., the long-standing pessimists about how far U.S. interest rates will rise, is that last week's rally was nothing more than a brief respite in a declining market.

"The end is not in sight for the current tightening phase of U.S. monetary policy," said John Lipsky, Salomon's chief economist.

Ian Loays at Morgan said last week's rally was fake. "We're headed for higher inflation and rising interest rates," Mr. Loays said.

Morgan analysts warn that this week's first glimpse of activity in November will

highlight the pickup in growth that is under way. On Thursday, the National Association of Purchasing Management's index is forecast to hit a new recovery high, and on Friday, the U.S. employment data are expected to show a rapid increase in payrolls and a gradual acceleration in average earnings.

But given the current weakness in the equity market, these analysts expect the Federal Reserve Board will not increase rates again until its Feb. 1 meeting. The Federal Reserve's policymakers hold one more meeting this year, on Dec. 20.

European analysts are more sanguine. Malcolm Roberts at Union Bank of Switzerland expects this week's data to show "a decline in the workweek and a virtual stabilization in hourly earnings," which may be sufficient to persuade investors that another Fed tightening is not imminent.

Christopher Potts at Banque Indosuez SA said he thought last week's developments were "telling us unambiguously that a significant threshold has been crossed in the process of monetary tightening, that policy is clearly restrictive and that it will end up paying 22 basis points below the interbank rate, whereas under the standard one-month payment, its floating-rate cost of money would have been 14 basis points below the benchmark."

BankAmerica Corp. ran into resistance on its \$200 million issue triggered because of opposition from underwriters on the proposed fees. The five-year notes were initially launched with an underwriting fee of 25 basis points — a level at this maturity normally reserved for triple-A-rated credits. Within hours the fee was raised to 27.5 basis points — the standard charge for a double-A-rated borrower.

But BankAmerica is rated single-A, and banks expected a fee of around 35 basis points.

George Magnus at S.G. Warburg Group PLC said it was "too early in the economic cycle" for money to move into bonds. Even if equity prices continued to fall and even if this led to a repatriation of U.S. investments from emerging stock markets, which pushes up the dollar, he said he expected the money to stay in cash or to be deposited in money-market mutual funds until it was clear that the Fed had finished raising rates — a development he did not foresee until late next year.

Investors appeared to share this view,

showing a clear preference for very short-dated two-year and three-year fixed-rate paper and floaters. Analysts said bond mutual funds considered a three-year holding as a neutral maturity.

Issuers for the most part were top-rated credits and were well received, especially the two-year notes from Union Bank of Switzerland, General Electric Capital Corp. of the United States and BNG of the Netherlands. Toyota Motor Credit Corp.'s \$250 million of three-year paper also was a success.

By contrast, ABB International Finance NV's \$200 million issue triggered complaints. The payment date is an unusually long seven weeks. Because short-term rates are more likely to rise than fall during that time, investors have no incentive to commit to buying this paper.

But for the issuer, the long payment date means a more aggressive swap rate. Bankers estimate that assurance of ABB's fixed cost of funds is worth about 2.5 basis points per week on the cost of its swap into a floating-rate liability. The rumor is that it will end up paying 22 basis points below the interbank rate, whereas under the standard one-month payment, its floating-rate cost of money would have been 14 basis points below the benchmark.

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## Fledgling Bond Rally Fragile in Face of Data

Compiled by Our Staff From Dispatches

NEW YORK — A batch of data this week that is likely to show solid growth in the U.S. economy should stem the forward momentum in Treasury bond prices that started last week.

Bond prices posted their biggest weekly gain in 17 months last week as investors jettisoned their stocks in favor of what seemed like a less risky bond market.

"We think bonds are very cheap," said Stephen Ward, chief investment officer at the Charles Schwab Family of Funds. "Bonds aren't a bad place to be right now."

The bond-market rally came after a nine-month slide that began Feb. 4, when the Federal Reserve Board started raising rates on overnight bank loans to prevent an acceleration of inflation. Bond yields climbed as

high as 8.17 percent this month from 6.17 percent in January as prices plunged.

The yield on the benchmark 30-year Treasury bond fell to 7.93 percent last week from 8.13 percent the previous week. While some analysts said the action last week meant yields had peaked for the year, others warned that government data showing solid economic growth could stall the price rally.

The most significant piece of data this week will come Friday, when the Labor Department releases employment data for November. Economists are expecting the report to show that 250,000 nonfarm jobs were created.

Other numbers include the first revision to third-quarter gross domestic product, due Wednesday, and the November index of economic activity from the National

Association of Purchasing Management, due Thursday.

Bond traders also will be watching for indications as to how the holiday shopping season started off over the weekend.

Stephen Slifer, a money market economist at Lehman Brothers Inc., said bond prices could drop if the data suggest the Fed might raise interest rates again at its December meeting, instead of waiting until the end of January or first of February as market participants generally expect.

"It's clear from their comments that they still have a bias toward tightening, and I think that if they get a sense that fourth-quarter growth is going to be above 4 percent, they could well pull the trigger," he said.

(Bloomberg, Knight-Ridder)

## New International Bond Issues

Compiled by Laurence Desvillettes

Issuer Amount (millions) Mat. Coup. % Price end week Terms

Floating Rate Notes

Bank of Seoul \$100 2000 0.30 100 Over 6-month Libor, Redeemable at par in 1996. Fees not disclosed. Payable in Jan. (Standard Chartered Asia.)

Challenge Bank \$250 1997 0.35 99.45 Over 3-month Libor, Noncallable. Fees 0.20%. (CS First Boston.)

Caltri Int'l \$100 1999 0.425 100 Over 6-month Libor, Noncallable. Fees not disclosed. (IBJ Asia.)

Eagle Pier Corp. \$200 2001 1/4 99.73 Over 6-month Libor, Noncallable. Fees not disclosed. Payable in Jan. (Morgan Stanley Int'l.)

Monte dei Paschi di Siena \$200 1999 3/4 99.96 Over 3-month Libor, Noncallable. Fees 0.20%. (Swiss Bank Corp.)

Urban Mortgage Bank of Sweden \$200 1996 1/16 99.87 Over 3-month Libor, Noncallable. Fees not disclosed. Denominations \$10,000. (Nemura Int'l.)

Citibank \$100 2000 1/4 99.96 Over 3-month Libor, Noncallable. Fees 0.175%. (Goldman Sachs Int'l.)

Deutsche Ausleihbank \$100 2002 1/16 100 Interest will be the 3-month Libor, Noncallable. Fees 0.20%.

European Sovereign Investments \$200 1999 0.10 99.98 Over 3-month Libor, Noncallable. Fees 0.20%. Denominations \$10,000. (CS First Boston.)

Fixed-Coupons

ABB Int'l Finance \$200 1997 7 100.95 Redeemed at 99.95, Noncallable. Fees 1 1/2%. Payable in Jan. (ABN-AMRO Bank.)

BankAmerica \$200 1999 8 99.25 Noncallable. Fees 0.275%. Denominations \$10,000. (Salomon Brothers Int'l.)

Bayerische Landesbank \$300 1997 7 101.22 Redeemed at 99.85, Noncallable. Fees 1 1/2%. (Lehman Brothers Int'l.)

BNG \$200 1996 7 100.97 Noncallable. Fees 1 1/2%. (J.P. Morgan Securities.)

General Electric Capital Corp. \$200 1996 7 100.96 Redeemed at 99.75, Noncallable. Fees 1 1/2%. (Swiss Bank Corp.)

SBC Finance (Cayman) \$100 2001 7 100.53 Redeemed at 99.53, Noncallable. Fungible with outstanding issue, raising total amount to \$350 million. Fees 1 1/2%.

Toyota Motor Credit Corp. \$250 1997 7 101.02 Redeemed at 99.825, Noncallable. Fees 1 1/2%. (Paribas Capital Markets.)

Unibanco Leasing \$150 1997 11 1/2 99.94 Semiannually, Noncallable. Fees 1%. (CS First Boston.)

Union Bank of Switzerland \$100 1996 7 100.35 Redeemed at 99.25, Noncallable, Fungible with outstanding issue, raising total amount to \$250 million. Fees 1 1/2%.

KFW Int'l Finance \$100 2004 7 100.05 Noncallable, Fungible with outstanding issue, raising total amount to 1.5 billion marks. Fees 2 1/2%. (WestLB.)

Deutsche Bank \$100 1996 8 101.10 Redeemed at 100.10, Noncallable. Fees 1 1/2%. (Deutsche Bank.)

European Investment Bank \$100 1999 6 91.97 Redeemed at 90.92, Noncallable, Fungible with outstanding issue, raising total amount to \$200 million. Fees 1 1/2%. (Barclays de Zotte Weid.)

National & Provincial Building Society \$100 1997 8 101 Redeemed at 99.25, Noncallable. Fees 1 1/2%. Denominations \$10,000. (CS First Boston.)

Boden Wuerthberg L. Finance \$100 1999 7 101.30 Redeemed at 99.475, Noncallable. Fees 1 1/2%. (ABN-AMRO Bank.)

BNG \$100 2004 7 101.25 Redeemed at 99.75, Noncallable. Fees 1 1/2%. (Rabobank.)

Deutsche Ausleihbank \$100 2002 7 100.96 Redeemed at 99.25, Noncallable. Fees 1 1/2%. (Rabobank.)

Credit Local de France \$100 1999 10 101.02 Noncallable. Fees 1 1/2%. Payable in Jan. (Barclays de Zotte Weid.)

New South Wales (Jersey) \$100 2006 30 31.95 Redeemed at 20.65, Yield 10.44%, Noncallable. Proceeds \$43 million. Fees 1 1/2%. Payable in Jan. (HSBC Markets.)

Tasmanian Public Finance \$100 1997 10 101.05 Noncallable. Fees 1 1/2%. (Deutsche Bank.)

MTBC Finance \$25,000 2005 5 100 Interest will be 5% until 2000, when issue is callable at par, thereafter 5.40%. Fees not disclosed. Denominations 100 million yen. (Mitsubishi Trust Int'l.)

Swedish Export Credit \$100 2004 — 100 Coupon amount will be linked to the yen performance. Fees not disclosed. Denominations 10 million yen. (Morgan Stanley Int'l.)

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# BUSINESS

International Herald Tribune, Monday, November 28, 1994

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## WALL STREET WATCH

### Hard Times for Stocks After a 20-Year Boom?

By Floyd Norris

New York Times Service

NEW YORK — If there is one thing that 1990s investors have had pounded into their heads, it is that stocks are the best long-term investment. Over the long stretch of history, we are told, stocks produce an average return of about 10 percent a year. The academic studies prove nothing else does as well.

The boom in the mutual fund industry is evidence of growing belief in this. The stock market may have done nothing this year.

but three of the four best months ever for stock mutual funds—in terms of net cash flow from investors—were in 1994.

Investors have put more money into stock funds than they took out for 48 consecutive months. To put that into perspective, the industry's old record was 12 months, a string that ended with the 1987 market collapse.

We have a theory about the relation of academic research to the stock market: First the academics discover something, and are ignored by most money managers and the public. Those who believe make money.

Then, as the word spreads, more and more climb on the bandwagon, and the trend gets even truer. They drive prices to ridiculous heights, then the bandwagon crashes.

That happened, to cite one example, when the professors found that small stocks had a way of doing better than big stocks, year after year. Eventually, so many people were throwing money at small stocks that prices got out of hand in 1983, and such stocks did poorly for the rest of the decade.

A couple of important stock market anniversaries serve to remind us that while stocks may be winners in the long run, the short term can be a very long time indeed.

It was 40 years ago last week, Nov. 23, 1954, that the Dow Jones industrial average first closed above its 1929 peak. Anyone who bought at that peak had to wait 25 years to break even.

And next week brings the 20th anniversary of the end of the worst post-Depression bear market. On Dec. 6, 1974, the Dow closed at 577.60, a 12-year low. It was down 45 percent in less than two years.

The papers then were not full of talk about how stocks were a wonderful long-term investment. Instead, they discussed how much lower the Dow would go—another 10 percent or so was the consensus—and how long the recession would last.

It was over in a few months, but most expected it to last longer. Triumphant Democratic politicians—having scored big gains in midterm congressional elections—were talking of imposing controls on prices, wages, executive compensation and profits.

Today, things could not be more different. Over 20 years, stocks

Sometimes the 'short term' can be a very long time.

### Another U.S. Money Measure Turns Negative

By Carl Gewirtz

International Herald Tribune

PARIS — The clock started ticking in 1987, when for the first time since the early years of this century foreign debts owed by Americans began to exceed their overseas assets.

It was only a matter of time until the cash flow of dividend and interest payments caught up with the balance sheet, and that time has arrived.

With U.S. net international debt estimated at \$556 billion at the end of last year, it's only this year that America's net investment income turns from positive to negative—and the United States opens a new outlet for hemorrhaging dollars to a world already awash in them.

"It's another drag for the dollar on the foreign exchange market," observes George Magnus at S.G. Warburg in London.

Nevertheless, the current consensus is that the dollar is headed for a bit of a bounce. Typically, the approach to year-end is positive for the dollar as U.S. companies begin repatriating profits and dividends on foreign operations for their yearly reports.

And with the dollar still benefiting from the larger-than-expected in-

crease in U.S. interest rates two weeks ago, foreign exchange analysts see the dollar pushing up to 1.58 Deutsche marks in the next few weeks while remaining relatively stable against the yen.

The dollar ended last week at 1.5602 DM and 98.775 yen. The big test for the dollar looms between 1.58 and 1.60 DM, a "formidable resistance area," says Joe Prendergast at Paribas Capital Markets in London.

But not much of a move is expected against the yen, as Japanese investors show no inclination yet to resume purchases of foreign assets.

Meanwhile, the turnaround on the investment-income account highlights the vulnerability of the dollar to the whims of foreign investors.

America's net income on the invest-

ment account peaked in 1981 at \$33 billion. Last year it amounted to a measly \$4 billion.

This year it turns to an outflow estimated at \$7 billion, and the deficit thereafter is forecast to balloon—up nearly 60 percent next year and 80 percent the year after—through the end of the century. The interest the U.S. government pays on bonds held by foreign investors accounts for a large share of the turnaround.

In comparison to the merchandise trade deficit of more than \$150 billion, an estimated investment income deficit of \$20 billion by 1996 does not appear dramatic.

"But it's not trivial," insists one close observer of the statistics. "It becomes a drag quite quickly—another source of dollar outflow that needs to be financed."

This observer notes that investment income is only a relatively small component in measuring the balance of international payments and thus can be swamped easily by, for example, a huge flow of foreign money into U.S. stocks and bonds.

But with portfolio flows this year running out of rather than into the United States, the new deficit on in-

vestment income "is one more reason why the dollar has been under pressure in the foreign exchange market," the close observer adds.

Although the size of its international indebtedness makes it by far the world's largest debtor, the United States is not on the lip of a debt crisis, as the dollar amount of the debt is equal to a mere 8.5 percent of total annual output, or gross domestic product.

But, as the Organization for Economic Cooperation and Development reported last week in its survey of the U.S. economy, the shift in financing flows and the continuing buildup of indebtedness to finance the persistent external deficit make the U.S. economy "increasingly vulnerable to changes in market perceptions."

The long delay between the 1987 accounting slide into net debt and this year's appearance of an investment income deficit is in part explained by the high rate of return on decades-old U.S. investments abroad compared with relatively recent and often unprofitable international investments in the United States, of which Rockefeller Center and Columbia Pictures are but two examples.

### U.S. Shoppers Balk at Prices and Wait for Sales

By Stephanie Strom

New York Times Service

NEW YORK — U.S. retailers kicked off their Christmas shopping season over the weekend, but many shoppers seemed to be saying they would wait a few weeks before making major purchases.

Even the early arrival this year of Hanukkah, which started Sunday night, seemed to bring no added urgency. Most shoppers were keeping an eye out for bargains and hoping that skittish retailers would slash prices closer to Christmas.

Despite abundant promotions intended to get people to shop early, "the notion that the day after Thanksgiving is the biggest sales day of the year has become myth," said Isaac Lagado, principal of Tactical Retail Solutions Inc., a retail consulting firm.

Mr. Lagado said he expected Christmas Eve, which falls on a Saturday this year, to be the most lucrative day for retailers, followed by Dec. 23 and Dec. 17.

To visit stores over the weekend was to see consumers practicing their skills at this game of waiting.

"I'm not so particular about what I'm buying, so I always shop around until the week before Christmas because the prices just get better and better," said Susan McKinney, a secretary who works in Stamford, Connecticut.

Most stores have begun offering discounts on selected merchandise, while some, like

J.C. Penney, Sears and Wal-Mart, enticed shoppers with specials that began as early as 6 A.M. on Friday.

The discounts are likely to continue, because many retailers have slightly heavier inventories of apparel than they had anticipated for this time of year.

An unusually mild autumn has inhibited sales of sweaters, coats and other cold-weather gear, which must be cleared out by the end of January.

The busiest stores were those selling items for the home. At the Williams-Sonoma store in Stamford Town Center, customers laden with goods waited in line 10 deep at each cash register, and Brookstone, which sells everything from basic tools and lawn and garden equipment to fancy gadgets, was full of people trying out leather recliners with built-in massaging mechanisms.

Stores selling apparel were much less busy. Clerks behind the cosmetics counters at Saks Fifth Avenue found few takers and in the limited store, workers kept busy folding sweaters and straightening displays.

Stores that sold gift items fared better. Banana Republic, which does most of its business in clothing, lured customers with prominent displays of satiny scarves, velvet gloves and holiday party wear just inside the doorway.

Victoria's Secret was clearly the store of choice for men shopping for their wives. It even had two male employees on

band to answer questions from men who might be embarrassed about asking a female sales clerk about lingerie.

Retailers said they were not anticipating the sales bonanzas they reaped during the past two holiday seasons, when sales soared far beyond their expectations. Last year, holiday sales jumped between 7.5 percent and 8.9 percent, depending on the definition of the season, and the increases were even greater the year before.

Some analysts and economists measure holiday sales starting at the end of November through December, while others include the entire two months.

The National Retail Federation is predicting a 6 percent sales increase this year, and most other analysts' estimates fall into that ballpark. Tracy Mullin, president of the federation, said she expected retailers to ring up \$425 billion in sales during the five-week period before Christmas, up from about \$400 billion last year.

"Although last year was up about 7.5 percent over the previous year, we'll be very happy with a 6 percent increase," she said.

Ms. Mullin cited a number of macroeconomic indicators that portend healthy holiday sales, including low unemployment, fairly stable consumer confidence and lower consumer debt.

Bloomberg Business News reported earlier from Houston: U.S. retail sales on Friday,

### Letdown in Germany

The German Federation of Retailers said Sunday that sales on the first "long Saturday" ahead of Christmas were disappointing. Reuters reported from Cologne.

It said retailers surveyed were disappointed, but many hoped the Christmas season was just having a late start.

German shops usually close at 2 P.M. on Saturdays except on the first Saturday of the month, when they stay open until 4 P.M. in summer and 6 P.M. in winter. On the last few weekends before Christmas, however, they stay open until 6 P.M. every Saturday.

### Volkswagen Is Setting Date For Launch of a New Beetle

BONN — Volkswagen AG said Sunday that it would produce a new version of its legendary Beetle car.

"We have now taken the decision to build the car before the end of the decade, although details about where it will be built and so on are not yet clear," said Bernd Gräf, a spokesman.

The automaker has indicated that any new Beetle would be produced in Mexico and would be aimed at the U.S., Canadian and some South American markets, with production starting in 1998 or 1999 and priced at around \$12,000 to \$13,000.

The car will be based on the new Polo model platform and probably have a turbo diesel or electric-diesel hybrid engine system. It will differ from its predecessor in having a water-cooled, front-mounted engine instead of a rear-mounted, air-cooled engine. It will also have such modern safety features as air bags and anti-lock brakes.

The Beetle was designed by Ferdinand Porsche, a German engineer, in 1934. Although production of the car in Europe ceased in 1978, the Beetle is still being built in Brazil and Mexico. Around 22 million have been built, making it the most-produced car in history.

### China Sees More Job Loss In 1994

Compiled by Our Staff From Dispatches

BEIJING — Real personal incomes are rising rapidly enough to keep ahead of 20 percent inflation, but government economists said Sunday they expected China's unemployment rate to soar this year.

Economists at the Chinese Academy of Social Sciences, a government agency, predict that urban incomes will rise 7 percent this year, adjusted for inflation, while rural incomes will increase by an inflation-adjusted 5 percent, the official China Daily said.

The economists predicted that inflation would remain at 20 percent for the year—twice the official maximum target. The urban inflation rate in October hit a peak of 27.7 percent.

Policy makers were seen struggling to strike a balance between inflation and the alternative—massive layoffs that could threaten China's social stability.

But China said it would designate 30 percent of its national unemployment insurance fund for retraining the rapidly expanding ranks of jobless workers, according to an official report. An estimated 1.5 million Chinese will be drawing unemployment benefits by the end of 1994, which is equal to the combined total of the past seven years.

Separately, the government will be tightening controls on foreigners finding jobs in China's booming economy, an official report said.

The Public Security, Labor and Foreign Ministries have issued a joint circular banning unauthorized employment of foreigners, the report said. (AP, AFP)

### Daimler Planning A Vietnam Move

HANOI — Daimler-Benz AG of Germany has applied to open a joint venture assembly line in Vietnam to build cars and small trucks, it was reported Sunday.

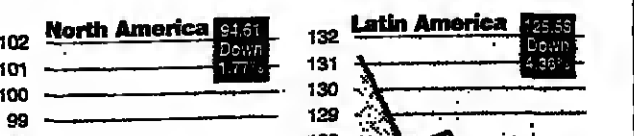
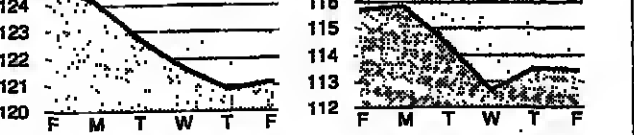
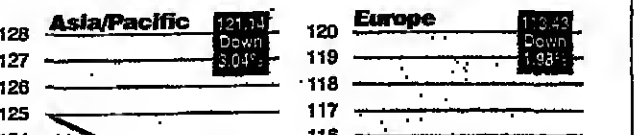
A Singapore-based company subsidiary is seeking to open a \$70 million project with Saigon Motor Co., owned by Ho Chi Minh City and the May 1 Automobile Plant, the Vietnam Investment Review said.

Separately, San Miguel Corp. of the Philippines has won clearance to produce beer in Vietnam, a semi-official report said Saturday. San Miguel will own 51 percent of a \$24 million joint venture, the Vietnam Investment Review reported.

## THE TRIB INDEX

International Herald Tribune World Stock Index, composed of 280 internationally investable stocks from 25 countries, compiled by Bloomberg Business News.

Week ending November 25, daily closings, Jan. 1992 = 100.



Industrial Sector/Weekend close	11/25/94	11/18/94	% change
Energy	111.89	118.87	-5.87
Utilities	122.43	128.97	-5.07
Finance	110.06	116.13	-5.23
Services	112.75	119.42	-5.59

Utilities	122.43	128.97	-5.07	Raw materials	128.50	128.97	-7.53
Finance	110.06	116.13	-5.23	Consumer Goods	102.83	105.43	-2.47
Services	112.75	119.42	-5.59	Miscellaneous	115.25	125.48	-8.15

The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Amsterdam, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Hong Kong, Italy, Mexico, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, and Venezuela. For Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization, otherwise the ten top stocks are tracked.

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### Riding Asia's Sports Boom Hong Kong Partners Face Major Decisions

By Kevin Murphy

International Herald Tribune

HONG KONG — Working from a shared office in the bustling Wanchai district, Marlene Lee and Des McGahan sit at the center of Asia's professional sports boom.

But for the two co-owners of PRISM, a small public relations firm specializing in the management of sports and entertainment events, it's no time to rest on their laurels.

With Asian living standards and demands for leisure and entertainment activities growing rapidly in step, their game has barely begun.

"No one really competes with us right now," said Miss Lee, a Canadian who settled here after buying a round-the-world ticket to all the places she then considered living in. "But it looks like others now want to come in."

Since pouring their savings into the start-up business five years ago, the PRISM partners have become Hong Kong's top team of its kind since they decided they would rather work for themselves than for a previous employer.

PRISM, or Public Relations International Services Management, is typical of many public-relations firms in the services it provides to a largely corporate client base.

But with early successes in managing such events as the Hong Kong Sevens, an annual rugby tournament of national seven-player teams from around the world, and Asian sports on the Johnnie Walker Golf Classic, PRISM has built up a lead in a rapidly growing regional market niche.

"They have an impressive combination of expertise and energy and sheer get-up-and-go," said David Broadbent, corporate affairs head of Hong Kong & Shanghai Banking Corp., long a sponsor of the rugby sevens. "They deliver."

On a recent weekend four groups of PRISM's staff of 30 were spread across Asia, working in Beijing, Tokyo, Shanghai and Manila on one sort of event or another, overseeing the planning, media relations and logistical minutiae that make or break any event.

Injured sports stars, typhoons, feuding sponsors and bureaucratic red tape are just some of the crises that can make this work a frustrating endeavor for the fainthearted.

"This business is a lot of deadlines and a lot of unknowns," said Mr. McGahan, who left his native Northern Ireland because of "the troubles" and worked and studied in Australia before settling in Hong Kong. "But we love the challenge of the big events."

Lately though, bigness has become an issue as the boom in Asian sports and major events threatens to grow more quickly than PRISM can match.

"Events suit the Asian style of doing business," said Miss Lee, who served as president of the Canadian Chamber of Commerce in Hong Kong in 1993. "Clients appreciate the use of special events to gain access to the people they want to see, whether it's government officials or big local businessmen."

"And," said Mr. McGahan, "companies are seeing how successful sponsorship can be in advertising in a place like China, where they love their sport, and other forms of advertising are still in their early stages."

Adding to the surge in sports is the endless demand for programming created by explosive growth in Asia's satellite and cable television industry.

Industry observers expect many more deals such as the \$20 million sponsorship of an Asia-wide badminton competition backed by the sports promoter International Management Group and STAR-TV, owned by Rupert Murdoch's News Corp.

"Broadcasters and entertainment groups have finally woken up: Asians like to watch Asian sport," said Mr. McGahan, who predicts an "explosion" of new sporting events and competitions across Asia.

"We will soon see the development of Asian sports heroes," adds Miss Lee. "Once that starts the spin-offs will be enormous."

But a reluctance to build up fixed costs by opening offices elsewhere in the region has hurt PRISM when large potential clients consider hiring them for Asia-wide projects.

"There is only so far PRISM can go," said Mr. McGahan of a business with a turnover of about 25 million Hong Kong dollars (\$3 million) this year. "Either we stay the same and miss the boat, or we align with someone."

Whether to expand or seek a larger partner remains to be decided, but PRISM executives say they have had plenty of offers.

(Articles in this series appear every other Monday.)

# OMEGA

THE LINK BETWEEN THE PAST AND THE FUTURE

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# Chrysler Memo Questions Safety of Door

By Barry Meier  
New York Times Service

**NEW YORK** — Lawyers involved in lawsuits against Chrysler Corp. have circulated a corporate document that indicates that latches on the rear door of the company's popular minivans may be less safe than those of competitors.

The memo's release comes amid dozens of lawsuits as well

as a year-long investigation by the National Highway Traffic Safety Administration involving rear lift-gate latches on 4 million Chrysler minivans produced between 1984 and 1994. The models include the Dodge Caravan, Plymouth Voyager and Chrysler Town & Country.

The Associated Press reported Saturday that according to updated federal statistics,

Chrysler lift gates had opened in 51 accidents, with 74 passengers thrown out and 25 killed.

Rick Deneau, a spokesman for Chrysler, defended the safety of the company's minivans, which are the most popular vehicles of their kind. He charged that the company memo was being circulated to generate publicity for lawyers.

"From our perspective this is a complete misrepresentation

of the facts," he said last week. "Chrysler minivans are the safest minivan in the world."

The Chrysler memo, which was prepared in 1990, suggests that the lift-gate latch used by the company is not as strong as ones found on many comparable vehicles and does not have a secondary mechanism to prevent it from opening if it is not fully closed.

## WORLD STOCKS IN REVIEW

By Agence France-Press

### Amsterdam

Shares fell last week, with the EOE index dropping 3.40 points, to 406.45, as dealers reacted to the sharp fall in shares on the U.S. stock markets.

Alko Nobel, the chemicals company, dropped 1.80 guilders, to 195.80 guilders, and Royal Dutch/Shell slipped 2.90 guilders, to 185.80 guilders. Unilever, lost 2.30 guilders, to 193.70 guilders.

### Frankfurt

The DAX finished 2.3 percent lower, at 2,051.62, after it was hit by heavy foreign selling that followed equity losses on Wall Street.

Shares in BASF, the chemicals company, fell 5.50 Deutsche marks, to 307.30 DM, despite bullish profits. Hoechst fell 7.00, to 317.50 DM, and Bayer fell 3.00, to 340.00 DM.

### Hong Kong

Stock prices plummeted 8 percent following drops in the U.S. market.

The Hang Seng Index, the key barometer of Hong Kong's top shares, lost 768.61 points to close at 8,658.83.

Average daily turnover was 4.54 billion Hong Kong dollars, compared with the previous week's 3.40 billion dollars.

### London

The Financial Times-Stock Exchange 100-share index fell 97.5 points to 3,033.5, a fall of 3 percent from the previous week, as investors abandoned shares for bonds.

A report by the Confederation of British Industry, which highlighted increased price

### Tokyo

Share prices tumbled to a 10-month low in a holiday-shortened week.

The market continued to be hit by Sony's decline, following huge write-offs at its U.S. film-making subsidiary.

Public pension funds were the only active buyers, as the Nikkei Stock Average of 225 issues fell to 18,666.93 points, down 3.3 percent from a week earlier.

The Tokyo Stock Price Index of all issues on the first section slipped 2.6 percent, to 1,484.02 points.

Foreign investors dumped their holdings, depressed by price setbacks on Wall Street and other foreign markets.

### Paris

Share prices rose slightly, pushing the CAC-40 index up 1 percent, to 1,945.89 points.

But analysts said the outlook for this week was uncertain.

Since the start of the year, the index has lost 14.21 percent. Analysts said shares were helped by a report indicating the market was undervalued by comparison with other world markets and did not reflect the growth prospects in the French economy.

### Singapore

Share prices fell as the market was hit by sell-offs on Wall Street and redemptions from mutual funds, a dealer said.

The blue-chip Straits Times Industrial index plunged 116.92 points, or 4.96 percent, to 2,237.75.

Turnover for the week amounted to 590.80 million units valued at 1.82 billion Singapore dollars.

### Zurich

Corporate investors took profits, offsetting active buying from public funds and investment trusts Friday.

Zurich shares fell in line with Wall Street, as the Swiss Performance Index lost 19.07 points to close at 1,696.49, a fall of 1.1 percent.

Volume was modest, with the market dominated by the fall in U.S. shares. The market was also weakened by a dispute between Union Bank of Switzerland and BK Vision over terms of a joint share issue. UBS shares fell 65 Swiss francs, to 1,135.

Nestlé fell 28, to 1,201, after announcing 10-month results.

## The Week Ahead: World Economic Calendar, Nov. 28 - Dec. 2

A schedule of this week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

### Asia-Pacific

Nov. 28 Sydney Balance of payments for October. Forecast: deficit to widen to 1.9 billion Australian dollars. Building approvals for October. Forecast: drop of about 5 percent.

Nov. 29 Sydney Australian balance of payments for October. Forecast: deficit to widen to 1.9 billion Australian dollars. Building approvals for October. Forecast: drop of about 5 percent.

Nov. 30 Sydney National accounts for July-September quarter, including gross domestic product.

Hong Kong Jardine Matheson Holdings, Jardine Strategic Holdings, Lai Sun Garment (International) and Windsor Industrial Corp. to be replaced on the Hang Seng Index of top shares by Amoy Properties, Guangdong Investment, Johnson Electric Holdings and Oriental Press Group.

Tokyo Housing starts and construction orders for October released by Construction Ministry. Industrial production for October released by Ministry of International Trade and Industry.

Nov. 29 Sydney Foreign debt for the July-September quarter.

Tokyo Bank of Japan to announce corporate service price index for October. Brussels Japan and European Union to hold working-level talks on whether to hold working-level talks on whether to join the EU in January.

Nov. 29 Tokyo Research arm of Japanese Life Insurance to release economic outlook for fiscal 1995.

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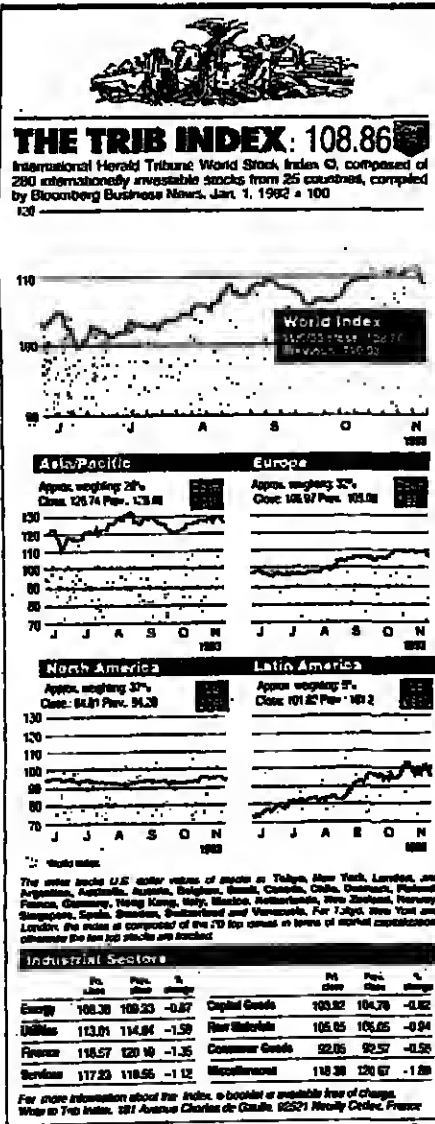
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The Trib Index appears daily in the International Herald Tribune.

**Herald Tribune**

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

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American Samoa	633-1000	Cyprus	080-990-071	Japan (DOC) (English)	0066-55-877	Peru	196	Turkey	00-800-1-4477
Anguilla (English phone)	1-800-344-4463	Denmark	0002-0877	Japan (DOC) (Japanese)	0066-55-888	Philippines (BPI stations only)	0105-01	U.S. Virgin Islands	1-800-877-8000
Anguilla (pay phone)	00-1-800-777-1111	Dominican Republic	1-800-731-7877	Korea	0000-12	Philippines (PLDT)	105-16	Uruguay	8-400-15
Argentina	8-101-58	Ecuador	171	Korea (Daejeon)	0009-13	Poland	00104-800-115	United Arab Emirates	800-131
Australia (Optus)	006-531-110	Egypt (Cairo)	358-077	Korea (Seoul)	000-16	Portugal	00017-1-877	United Kingdom (BT)	0800-89-0877
Australia (Telstra)	1-800-891-877	Egypt (all other)	00-354-877	Kuwait	000-77	Puerto Rico	1-800-877-4000	United Kingdom (Mercury)	0200-89-0877
Austria	022-903-014	Finland	191	Liechtenstein	155-7777	Romania	01-800-0677	Uruguay	000417
Belarus	1-800-395-2111	France	004-890-100-3	Lithuania	8-197	Russia (Moscow)	133-6132	Vietnam City	178-1877
Belgium	1-800-877-8000	Germany	98001-0284	Luxembourg	0800-0115	Russia (all other)	8093-135-6133	Venezuela (English)	800-1111-1
Belgium (French)	0800-10014	Greece	177-166-877	Malaysia	0800-121	Seychelles	238-0000	Venezuela (Spanish)	800-1111-1
Belize	556	Hong Kong	010-0813	Mexico	800-0016	Switzerland	1-235-0233		
Bermuda	84	Hungary	008-201-411	Mexico	95-800-877-8000	Taiwan and Reun +H	173-1877		
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Bolivia	0800-5333	India	195	Netherlands	001-800-745-1111	Singapore	8000-177-177		
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Costa Rica	163	Laos	1-800-877-8000	Nicaragua (Managua Spanish)	171	Trinidad & Tobago	001-999-13-877		
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Stocks	Div	Yld	100s	High	Low	Chg	Chg
Altofund						5 15%	15%
AltoAfr						336 2	17 1/2%
ANBIV						164 3 1/2	3
ANCSAfr						741 2 1/2	2 1/2%
ANGU						1228 10	9 1/2%
ANSAur						2753 16	14 1/2%

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SPONSORED SECTION

SPONSORED SECTION

## WHAT EXACTLY IS GLOBAL SOURCING?

The term may be unfamiliar, but the strategy is not.

The liberalization of international trade, deregulation in the financial services industry and the emergence of new free-market economies in Eastern Europe and other regions have brought the purchasing offices of the world's businesses one step closer to the "global village" of Marshall McLuhan. Today, with the help of modern technology, foreign-language skills and a heaping dose of managerial ability, it is possible to systematically comb the world's markets for the best and least expensive products, components and raw materials.

"Global sourcing," the term applied to this new discipline, is only one of several trends that have made purchasing the centerpiece of the profit-oriented strategies of many of the world's leading businesses.

**Beating the competition**  
Along with quality-based "supplier partnerships" and "strategic management of the supply chain," global sourcing is helping companies around the world use the purchasing function to gain a competitive margin and better respond to client needs. Businesses that have introduced global sourcing include British Airways, Ford Motor Company, McCormick & Co., ICL Chemicals, Swissair, National Westminster Bank, General Electric and SmithKline Beecham.

"With purchased material typically the largest category of cost in many products, it's impossible to gain and sustain competitive advantage without a vigorous sourcing program," says Malcolm

Hillyard of A.T. Kearney, an international consulting company known for expert retooling of corporate functions and strategies. According to Mr. Hillyard, the companies most interested in global sourcing are those whose manufacturing processes rely heavily on simple parts: "deeper value-chain products, which are nearer to raw materials."

Automotive and aerospace companies have thus been prime movers in the field, although the products now being sourced globally run the gamut from mechanical parts to champagne, spices and textiles.

**The world gets smaller**  
DuPont used global sourcing in the production of the Porsche Carrera's glass-like, state-of-the-art bumpers: the polymers were purchased in Luxembourg, compounded in Belgium, tested in Detroit, Delaware and Japan and finally produced in custom shops in Germany. "The world is shrinking year by year in terms of where things can be made and how they can be transported," says Michael Hamilton of London-based CBI Partnership Sourcing, an organization that shows companies how to profit from better relations with suppliers.

The term "global" tells only part of the story: it is not always cheaper to buy from emerging economies. When transportation and communications expenses are taken into account, the most cost-effective solution is often in the company's own backyard.

"Global sourcing means you look outside your na-



tional market, but it doesn't mean you have to buy one component from London and one from India," Mr. Hillyard says. "It's not saying you should disregard all the advantages of nearness."

As often as not, the implementation of a global sourcing program leads companies to view established relations with local suppliers in a new, more positive light. The research into new markets and the establishment of contacts with potential suppliers abroad can also give companies leverage in quality and price negotiations on the domestic front. It invariably leads to rationalization

of the purchasing process as a whole, with a focus on efficiency and profitability.

**How to source globally**  
What does it take to set up a global sourcing operation? The costs are difficult to forecast, but they usually include travel, telecommunications and shipping, as well as hiring new employees with the necessary language skills. As interest in global sourcing grows, public and private institutions are creating data bases to help companies in their search for the best products at the lowest cost. A.T. Kearney has developed its own global

sourcing data base of more than 20,000 supplier locations in 62 nations. A proprietary data base is therefore not a must for the neophyte global sourcer, but eventually the company must install an Electronic Data Interchange system to transmit key product and price data to suppliers and sustain the linkages created.

"It takes six months to set up a global sourcing operation in the fullest sense, and one and a half years to get it running up to speed," Mr. Hillyard observes.

What advice would the experts give a business interested in launching its own

global sourcing program?

"It's vitally important to decide how the company wants to be situated globally," says Professor Richard Lamming, a fellow of the Chartered Institute of Purchasing & Supply and holder of the chair of purchasing at the University of Bath School of Management. "It's one thing to go into a region such as Eastern Europe to achieve short-term savings on products or components. It's another thing entirely to commit to global purchasing — one is an opportunistic decision; the other is a strategy."

Lisa Rosenthal

## A CONCEPT WHOSE TIME HAS COME

Trade blocs are facilitating the outsourcing process.

The trend toward global purchasing makes too much sense not to have happened sooner or later. Still, it would not have developed as quickly or as fully — or with such promise for greater growth — without the rise of big regional trading blocs and the global movement toward free trade.

Richard Pinkerton, an authority on global purchasing at California State University at Fresno, says regional trade blocs such as the European Union and NAFTA have had both a direct and an indirect effect on global purchasing.

**The ripple effect**

Companies within a trade bloc reap the direct benefits of reduced tariffs, less red tape and the lowering of other barriers to the movement of products, services and capital among member countries. Consequently, lower prices within the trade bloc are often passed on to "outside" companies seeking materials and components.

"If you want to get into a trade region such as the EU, if you're going to start sourcing there you might as well start manufacturing there," Mr. Pinkerton says. "If you manufacture there, you want to sell your products there."

Mr. Pinkerton, a Cal State marketing professor who also serves as a consultant to private industry, says global sourcing is one of the reasons behind the growing influence of the unofficial Asian trade bloc he characterizes as the "China community," including Hong Kong, Singapore, Malaysia,

Taiwan, Vietnam and South Korea.

"That's why companies like PepsiCo are building plants in China, not just purchasing there," he says. "Why do you think Apple has a big plant in Singapore?"

**The GATT factor**

Besides regional trade blocs, the move toward freer global trade — spurred by the General Agreement on Tariffs and Trade — is cited as a key contributing factor to world-wide outsourcing by experts such as Bill Bales, a former purchasing manager for Union Pacific and Quaker Oats who is now president-elect of the Amsterdam-based International Federation of Purchasing and Materials Management. "Cutting tariffs increases trade," he says. "People know what things cost."

A World Bank study predicts that the new GATT agreement, providing tariff reductions of up to 50 percent on tens of thousands of products traded among more than 100 countries, will boost world trade by up to \$272 billion a year within a decade.

"You can develop a whole new set of customers when you lower these artificial barriers to trade," says Mr. Bales, who works at the Center for Advanced Purchasing Studies at Arizona State University in Tempe.

**Benefits for neophytes**

When big companies begin looking anywhere and everywhere for their materials, he says, the effects are

Continued on next page

# When an airline has a young fleet, experienced pilots, attentive cabin crew, and the pickiest ground technicians in the world, it's free to concentrate on what's really important:



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## SPONSORED SECTION

## G L O B A L S O U R C I N G

## Case Study

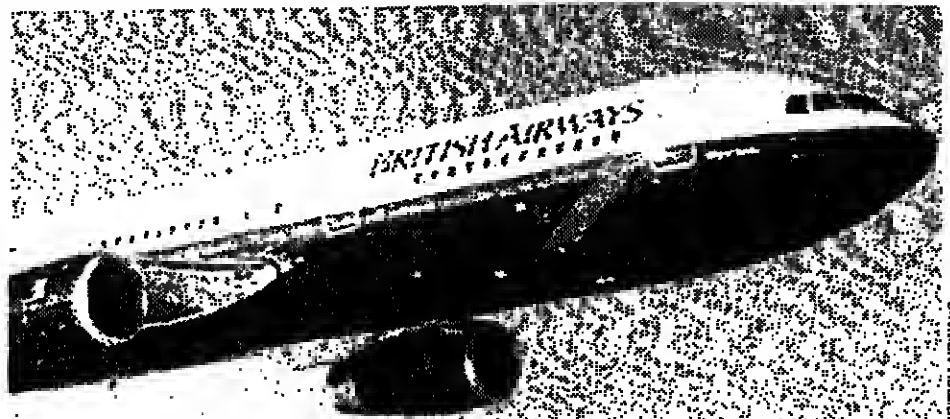
## BRITISH AIRWAYS

## NOT ONLY FLYING BUT BUYING GLOBALLY

BA's pooling of purchasing resources with other airlines has created efficiencies and economies of scale.

The airline industry, the world's international business par excellence, would appear to be a natural candidate for global sourcing. Although, like other major airlines, it has traditionally been an international buyer, British Airways began systematic cross-border sourcing in the run-up to its privatization in 1987. Now the company employs 180 purchasing professionals at its headquarters outside London's Heathrow Airport, and runs three purchasing offices abroad in Hong Kong, Sydney and New York. Much of its international buying is conducted under the aegis of a purchasing alliance with international partners Qantas Airways, USAir, TAT European Airlines in France and Deutsche BA in Germany.

Gareth Kirkwood, general manager for global purchasing at British Airways, describes the operation as "a loose alliance of airlines combining their purchasing resources to create efficiencies and economies of scale for themselves and their



suppliers." His job is to ensure close contact between professional purchasers at the five airlines and oversee the efficiency of the buying network, formed in early 1993.

The worldwide economic downturn has meant few airlines have bought aircraft lately, but other big-ticket items, including inflight equipment and information technology, are currently sourced globally by BA and its alliance partners.

Of the company's massive procurement budget, equal to approximately £2

billion (\$3.12 billion) per year in external operating expenses, about half is directed outside Britain: 48 percent of purchasing takes place within the country, 15 percent in the United States and 37 percent in the rest of the world. Among the products sourced: lobster from Canada, prawns from Thailand, salmon from Scotland and cutlery from the Far East.

Although he believes quality, cost and efficiency benefits have accrued to BA from the internationalization of its purchasing business, Mr. Kirkwood is

reluctant to assess the gains in monetary terms. "Even though bottom-line savings are important," he says, "you can't overlook the benefits in terms of continuous improvement in product quality and competitive advantage. International sourcing is an important tool, but it's only one of a series of tools that the professional buyer can bring to bear." Equally important, in his opinion, are areas like building relationships with suppliers, economic analysis and professional research.

L.R.

## A CONCEPT WHOSE TIME HAS COME

Continued from first page

often good for developing nations - particularly for inexperienced world traders who in the past were prone to overprotect with the kind of high tariffs being knocked down by GATT.

Mr. Bales calls countertrade, under which regional trading blocs require foreign companies and countries to do a certain percentage or total amount of local sourcing, a "more subtle form of protectionism" that will probably be restricted or

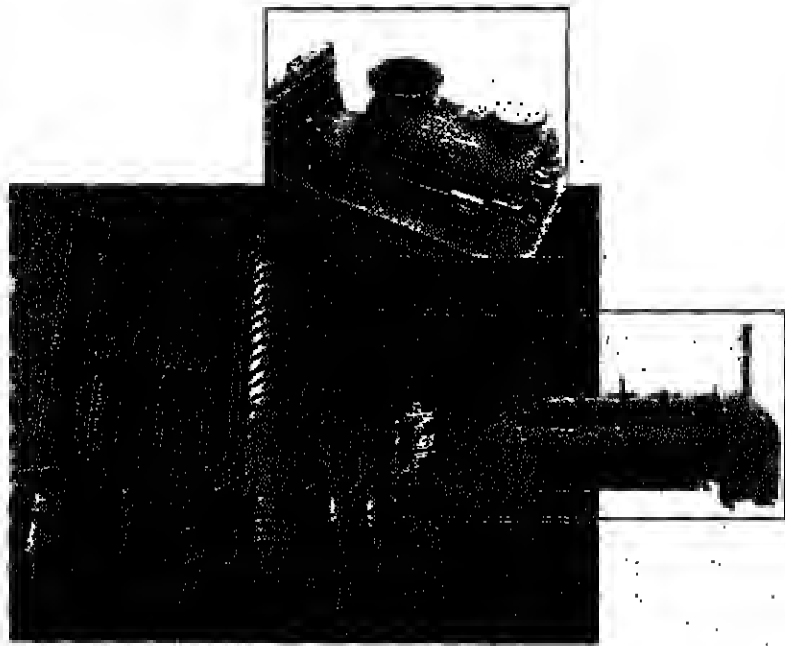
outlawed as the world moves increasingly toward global free trade in the 21st century.

That will happen, Mr. Bales predicts, because of the chicken-or-egg scenario developing today: deregulation and liberalization of

trade have led to more global purchasing; in turn, the success of global purchasing will lead to greater demand for wider free trade.

"Freer trade," he says, "ends up helping everybody."

Timothy Harper



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## WHAT IT MEANS FOR THE BOTTOM LINE

The profit-and-loss sheet is one of several areas in which global sourcing can improve results.

Is global sourcing just the latest business fad, a 1990s version of quality circles and one-minute management, or does it have the potential to bring about lasting improvements in a company's bottom line? Although many global sourcing programs are too young to be evaluated with a rigorous cost-benefit analysis, companies that have made comprehensive improvements in their procurement systems - in some cases adding an international component to their supplier base - seem convinced that advantages are already accruing in areas like quality, customer satisfaction, efficiency and savings on purchasing costs.

"Global sourcing yields higher returns than other strategies for overhauling purchasing operations," says Malcolm Hillyard, a principal at A.T. Kearney, an international consulting company. "Savings of between 5 percent and 15 percent on total purchasing costs are common in the first six to 18 months." Mr. Hillyard notes that global sourcing strategies target what is typically the largest component of corporate spending: "If you attack purchased materials costs, which usually account for at least 50 percent of overall spending, you get tremendous benefits," he says.

**High quality for less cost**  
In his experience, companies that combine global sourcing and purchasing office improvements in a systematic program are often able to guarantee themselves a steady flow of high-quality parts at a fixed future price - with savings of 10 percent to 25 percent. One client, an

automobile manufacturer, searched the world for the best suppliers in an attempt to cut material costs by 12 percent to 24 percent. Since introducing global sourcing in 1990, the company estimates that its savings total over \$1 billion on purchasing in Europe, \$36 million in North America and \$100 million in South America, where 61 percent of parts-dollar volume is now globally sourced.

Still, money is only part of the story. Says Professor Richard Lamming, a fellow of the Chartered Institute of Purchasing & Supply and holder of the chair of purchasing at the University of Bath School of Management: "Global sourcing is a very recent phenomenon; regions like the Pacific Rim, China, India and Eastern Europe were not open [to Western business procurement] 10 or 15 years ago." To generalize about the bottom-line impact "would be very woolly," he says. "You'd have to ask companies individually to weigh the savings against the time and money spent on activities such as translating documents, understanding the laws of the foreign market, dealing with middlemen - how would you calculate it?"

**Gains in the marketplace**  
Professor Lamming argues that one important benefit of global sourcing is the improved ability to sell one's product in the new markets that have been tapped for procurement, thanks to what he terms goodwill gains. "In some cases, it may be more appropriate to talk about a percent increase in local sales rather than a percent

drop in purchasing costs," he says.

Indeed, money - although an important consideration - is just one of the reasons companies decide to source globally. McCormick & Co. redesigned its spice purchasing process primarily to increase customer satisfaction. It now sources in China, India, Spain, Morocco, Turkey, Egypt, Israel, Pakistan, Indonesia and Mexico. Its procurement budget has grown by \$1 million, but the company reports the improvements in quality have made it all worthwhile.

**Improved service to clients**  
The benefits of global sourcing and efficient procurement practices must be considered in a wide perspective, agrees David Mannion, supplier development manager of ICL Plc, the giant British systems integration company with headquarters in London. "We go around the world seeking innovations, and if we decide to source some systems on the West Coast of the U.S., it's because we see this as an opportunity to give our clients better service." ICL, with annual sales of \$4 billion, wields a procurement budget of \$2 billion. Slightly under half is spent in Europe, about \$500 million goes to purchasing in the United States and the balance - about \$600 million - is directed to the Far East.

The company has been doing global sourcing for over 10 years, but the products purchased have changed as its own productive capacities have evolved. Eight years ago, ICL began sourcing high-quality, low-cost personal computers from Taiwan, but in 1990

management realized that a better alternative could be found much closer to home. "We realized that we had improved our own operations and lowered our costs to a point where we could produce the same product in-house at a competitive price," Mr. Mannion says. "There's no sense sourcing from a remote part of the world if the total landed costs are superior to what you could get here in the U.K."

**Creating global products**  
As competition heats up in the automotive industry, the world's car makers are looking increasingly to global sourcing and other purchasing innovations to boost efficiency and reduce costs. Ford began global sourcing in 1989 as part of its first "world car program," the CDW-27, which encompasses the Ford Mondeo in Europe and the Ford Contour and the Mercury Mystique in the United States. The company's procurement budget for production materials alone - excluding parts, accessories and machinery costs - totals \$12 billion in Europe and another \$40 billion in the United States.

Eckhard Jokisch, vice president of supply at Ford of Europe, says the company has achieved substantial savings through global sourcing and "a philosophy of single sourcing whenever possible." At the Ford factory in Genk, Belgium, 90 percent of purchasing for the Mondeo is single-sourced. According to Mr. Jokisch, benefits include improved quality, cost savings and increased efficiency.

L.R.

## GLOBAL SOURCING 94: THE EVENT

It's not only a business tool; it's now also the subject of a brand-new British trade fair.

To assist companies interested in making new international contacts and implementing or expanding a global sourcing strategy, the world's first exhibition and conference on this topic is being held in London from Nov. 28 to Dec. 2. Harrington Kilbride International Exhibitions, organizers of Global Sourcing 94, have billed it as "a tremendous introduction to the marketplace" for the 6,500 purchasers and 200-some exhibitors slated to attend. The venue is the spacious, well-

equipped National Hall at Olympia in West London.

**A range of exhibitors**  
The conference and exhibit will bring together key buyers from international companies and leading suppliers from 31 countries, including many of the emerging economies of Eastern Europe, Latin America and the Commonwealth of Independent States. To help purchasers source effectively, talks and seminars will be held by speakers with extensive practical experience in the

challenging and rewarding business of trading in new markets.

Seventy different industrial sectors are to be represented at the exhibition, with most space occupied by producers of textiles, chemicals, metals, machinery, food processing and electrical goods.

Of the 160 CIS and East European participants, around 110 come from the independent states of Russia, Belarus, Kazakhstan, Uzbekistan, Ukraine, Lithuania and Tatarstan.

**A truly global forum**  
The event will also count the participation of over 30 national and regional government trade institutions from countries including Brazil, China, Vietnam, Italy, Mexico and Ghana. Lufthansa, which is supporting the event and is promoting global sourcing to the 20,000 members of its frequent flier program, is offering a prize drawing for visitors for two free business-class tickets to any destination in the airline's global flight network.

L.R.

## SOUTHEAST ASIA: ONE KEY TO PROSPERITY

In many cases, Southeast Asian countries have virtually built their economies on this phenomenon.

Asia's fast-growing economies offer an enticing combination of cheap labor, design and production flexibility, and often geographical advantages that make the difference between a company's profit and loss.

Despite surging inflation in many Southeast Asian economies, labor costs are still nowhere near those of developed countries. On average, a factory worker in Europe or North America costs about \$20 an hour in wages and benefits. The equivalent in most Asian nations is about \$1.65 an hour.

**The economic equation**  
The wage discrepancy is wide enough to counterbalance most of the advantages offered by Western production - higher productivity, market proximity and more advanced technical skills. Rapid technology transfer and the absence of much of the crippling regulation that hobbles developed countries make Asia even more attractive.

"Several big American companies - including Mattel, Reebok, Nike and Levi Strauss - do their sourcing here," says Jim Castle, managing director of Business Advisory Indonesia and first vice president of the American Chamber of Commerce in Indonesia. "The primary reason is that wages here are very competitive." Mr. Castle also points out that Indonesia has the infrastruc-

ture necessary to move these products and enough political stability to ensure that business runs smoothly for many years to come - advantages that many developing nations cannot offer.

**Cornerstone of growth**  
Western companies' sourcing finished products and components from Asia is certainly not a new phenomenon. After all, the foundations of the modern Japanese and Taiwanese economies were providing low-cost products to the West.

Three decades ago, that trade was based heavily on cheap plastic and transistorized products. Nowadays, the examples are almost too numerous to mention: auto and aircraft parts, medical equipment, chemical compounds, yarn and fabric, wood and leather products, and perhaps the biggest category of all - computer parts and peripherals.

Nearly every major American computer company draws a significant amount of its components from Asia. A typical personal computer sold in the United States could have a monitor manufactured in South Korea, a hard disk made in Japan, a sound card from Singapore and a memory chip from Malaysia.

**A foot in the door**  
There is little doubt that labor costs are the major reason so many European and

North American companies have turned to Asia for sourcing. Many companies are also interested in gaining a foothold in the rapidly growing Asian consumer market. For instance, Procter & Gamble is about to significantly expand its manufacturing operations in Southeast Asia - not for export to Western markets, but for sales in the region. Initial plans include a \$70 million cleaning product plant in the Philippines; \$30 million beauty care and disposable paper product plants in Thailand; a \$20 million Indonesian cough drop and decongestant plant in Indonesia; a personal cleansing product plant in Malaysia; and a chemical plant in Singapore.

It is not just the big multinationals that are taking advantage of Asian sourcing. Small and medium-sized companies are also jumping on the bandwagon. "A lot of small U.S. entrepreneurs and companies are sourcing in Indonesia," says Mr. Castle. This "low end" business tends to concentrate on finished garments, handicrafts and customized furniture.

**The funding incentive**  
Meanwhile, many small and medium-sized companies are establishing a business foothold in Southeast Asia by tapping into a \$6 million fund established by the Asian Development Bank. The United States is a major shareholder in the ADB.

and more than 75 percent of American applicants have been successful so far.

Asian companies are also becoming more aggressive in seeking out Western companies that can use their parts and components. Creative Technology - a small Singapore company that specializes in computer sound boards that allow PCs to talk, play music and provide special effects for games - was launched 12 years ago with just \$6,000 in capital.

After years of being shunned by the world's computer giants, one of the company's founders decided to move to San Francisco in order to market its Sound Blaster boards to Silicon Valley firms. The move paid off. Today, Creative Technology is a worth about \$250 million.

**Taking it on the road**

Not many small Asian companies have the resources or the marketing expertise to present themselves in the world arena as a source for goods and services. As a result, many governments in the region have embarked on annual road shows. For instance, top-ranking officials from both Malaysia and Indonesia have taken to the road over the past year to present their country's respective advantages to European and American companies.

Julia Clerk



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# G L O B A L S O U R C I N G

## THE BALTICS: NEW SUPPLIERS TO WESTERN EUROPE

Latvia, Estonia and Lithuania are proving attractive to European companies as sources of low-cost labor and high-quality manufacturing.



Since the breakup of the Soviet Union, many Western companies have been realizing the potential of the region as a source of cheap raw materials, services and labor.

The seat belts for every Lada automobile ever produced by the Soviet Union, for example, were manufactured in Estonia by Norma.

Today, the Tallinn-based factory is supplying seat belts for Saab, the Scandinavian car and airplane engine manufacturer.

The Baltic states of Estonia, Latvia and Lithuania are among the most active of the former Soviet Union republics looking for Western contacts.

The last states to be annexed by Moscow and among the first to reclaim their independence, they were perhaps less affected by Soviet labor practices than other regions. Their geographical position is also attractive for companies interested in doing business with Russia, either as a base of operations or as a transshipment point.

The price is right. Chain stores such as C&A and Next send fabric to Estonia and Latvia to be made up by the work forces there, then reimport the finished garments to be sold in stores all over Europe. "Western companies like our equipment and quality, but the main reason for coming to us is price," says Ginta Ozolina, production director at Latvija, one of Latvia's largest textile companies.

The average monthly wage for the company's 2,300 employees is 70 lats (\$123), meaning that labor is relatively cheap. Before independence, 80 percent of Latvija's production was sent to the Soviet Union; today 85 percent of its output is sent westward - to Germany, Sweden and Britain.

"We also have the advantage of being not too far away, so our products are all exported by road, making transport costs cheaper," says Ms. Ozolina.

Matches for South Africa. Paper and wood products have long been important in the Baltic region. About 40 percent of Latvia's surface area is covered with forest. Sawn logs and pallet wood

for crates are sent mainly to Britain, while a Latvian safety-mach factory exports to Britain, South Africa and Saudi Arabia via a British-based company that provides the artwork for the matchboxes and distributes the finished product. Lameko, a Latvian trading company in wood products, acts as the mediator between East and West, benefiting from Latvia's natural resources and relatively low transportation costs.

"Our timber is very hard and good for the building industry," says Dace Liduma, export manager at Lameko.

Notebooks for Scandinavia. In Estonia, Kohila Paper Mill is assembling exercise books for Scandinavian companies, which supply them with paper rolls and cover designs. With the average monthly wage at the paper mill at 2,050 kroons (\$155) it is cheaper to send paper to Estonia to be cut, assembled and packaged and then re-exported as exercise books than to produce the books within Scandinavia.

While labor remains cheap in the region, manufacturers are optimistic about future prospects. "Business is increasing daily - we have good opportunities in furniture and textiles, while the flat income-tax rate of 26 percent and zero export tariffs make it easy for foreign companies," says Peeter Puskai, development manager of ETK, an umbrella group of Estonian corporations.

Samantha Knights

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## Case Study

### PROTON

## WORLD HUNT FOR AUTO PARTS

Sourcing of car parts is now becoming a two-way street in Asia.

Malaysian car manufacturers have been given due warning by Prime Minister Mahathir bin Mohamad that their days of state sponsorship are numbered. At the opening of a new assembly plant near Kuala Lumpur, Mr. Mahathir said: "Auto industries of other countries don't depend on government protection forever. Yet they can produce cheap and quality cars. Cheap sourcing of components, improved efficiency and cost control are among ways to reduce cost and increase profit."

Mr. Mahathir was one of the driving forces behind the development of Proton - Malaysia's first national car project - and he views auto production as one of the cornerstones of his ambitious Vision 2020 industrialization program.

Mitsubishi jumped at the chance of manufacturing vehicles and components in a low-cost labor market in Southeast Asia. While the joint-venture relationship has generally been smooth, the prime minister recently let it be known that he is not pleased with the rate of technology transfer between Proton and Mitsubishi, as well as other Japanese suppliers.

According to Kisi B. Rahmat, Proton's deputy managing director, Proton's share of local component parts increased to over 60 percent by the middle of 1994, when the company began mass-producing engine blocks and bearing caps in Malaysia. Some high-value items,



however, including transmission systems, are still imported from Japan. The government finds this particularly irksome, especially as Proton has to bear the brunt of the effects of a rising yen.

While the government would like to see as many components as possible made in Malaysia, commercial realities may preclude this. Mr. Kisi - who describes car production as "a global business" - says that Proton has set an 80 percent local content target, with the remaining components sourced overseas. He says it makes economic sense for certain proprietary components to be produced in one location for all manufacturers, "and in turn we sell them some components we make."

Still, it seems clear that Malaysia will not be content to let Japan continue as the sole supplier of these "proprietary" parts. Proton recently announced that it had started buying car parts outside Japan because its traditional Japanese suppliers were "no longer competitive." Negotiations for parts supply are under way with Daimler-Benz in Germany as well as General Motors and Ford in the United States.

Perodua, a second Malaysian national car project involving Japan's Daihatsu, will begin mass production of the new Kancil compact next year. By the middle of 1995, the first units of a third project are scheduled to roll off the assembly line - a joint venture between Proton, Diversified Resources Berhad of Malaysia and Peugeot Citroën of France. J.C.

## Case Study

### FERROSTAAL

## CUSTOMERS BECOME PARTNERS

The global sourcing vector can sometimes turn into a profitable loop.

By selling advanced facilities to companies located in rapidly developing countries, Europe's capital goods producers have created an "ever-greater source of competition and of cooperation partners," in the words of Klaus von Menges, chairman of Ferrostaal AG, based in Essen, Germany. One example shows how this complex mix of struggle and symbiosis can work.

It sounds straightforward enough: an international consortium builds a major new production facility to serve the needs of a rapidly developing economy. Last February, Perwaja Steel Sendirian Berhad issued a "provisional acceptance certificate" to the direct iron-ore reduction facility built by a consortium in Perwaja, Malaysia. The consortium was made up of the HYL (Hojalata y Lámina) Group S.A., a Mexico-based manufacturer of sheet metal and rolled steel; Ferrostaal AG, the trading arm of Munich's MAN Group; and MAN

Gütlehoffnungshütte, MAN's industrial engineering arm.

The heart of the facility is the HYL-III technology, which manufactures sponge iron from lump pellets of ore, and which has been incorporated into plants built in Indonesia and Mexico by the same consortium. This successful partnership between an established German capital-goods producer and an aspiring corporate star in a rapidly developing country is, in fact, not quite so simple - much of the equipment HYL used to develop its products and technologies originally came from the MAN Group.

For Europe's hard-pressed steel-makers, such companies as HYL - and now Perwaja - are a price-cutting source of competition. For traders such as Ferrostaal, steel from Mexico, Brazil, China and now Malaysia and Indonesia has become an important commodity for their international transactions. Terry Swartzberg

Terry Swartzberg

# A cure for jet lag.

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# MONDAY SPORTS

## At 30, Schneider Wins 52d World Cup Prize

The Associated Press

PARK CITY, Utah — Vreni Schneider, the master of the second-run comeback, rallied to earn her 52d World Cup victory by winning the women's slalom Sunday.

Schneider was fifth after the first run, but had the fastest second run of 48.27 seconds, to finish with an overall time of 1:39.95.

Martina Anzures of Switzerland was second at 1:40.58, and Kristina Andersson of Sweden was third at 1:40.67. Pernilla Wiberg of Sweden, who led after the first run, slipped near the bottom of the second run and finished fourth at 1:40.70.

Schneider, last year's overall World Cup champion and a five-time Olympian medalist, celebrated her 30th birthday Saturday by placing third in the giant slalom.

Earlier in the competition, Heidi Zeller-Bähler of Switzerland finally won a race — her first victory after nine seasons as a World Cup skier.

She sped down a giant slalom course with the best second-run time Saturday, barely maintaining her balance near the top and bottom, to win this season's first race.

Her two-run time of 2 minutes, 22.03 seconds was four-tenths of a second faster than Sabina Panzanini of Italy.

Zeller-Bähler skidded and nearly crashed on a steep portion near the top of the course, and then barely avoiding

falling backward as she crossed the finish line. Once she saw her time, she triumphantly twirled her ski pole in the air with her right arm.

Zeller-Bähler, 27, whose best previous results were seconds in a 1989 downhill and a 1993 giant slalom, was tied for second after the first run. She had a second-run time of 1:07.46.

When asked why it took her so long to win a race, she replied: "I don't know what the reason was, I would have won long before this."

Panzanini had the best first-run time, 1:14.33. She also was seeking her first World Cup victory. Panzanini, who was no better than 17th in any race last year, matched her best career finish, second in a giant slalom at

Steamboat Springs, Colorado, in 1992. "America obviously brings me good luck," she said.

Schneider had debated before this year whether to continue her glorious career.

"To win becomes more difficult every year. I'm getting old," said Schneider, who closed a news conference by blowing out the candles on a birthday cake. "After this race of today, I know my decision [not to retire] was right."

Pernilla Wiberg of Sweden, the 1992 Olympic giant slalom champion, fell on the first run and another pre-race favorite, Anita Wachter of Austria, failed to qualify for the second run.



Heidi Zeller-Bähler: First victory.

## SCOREBOARD

### NBA Standings

#### EASTERN CONFERENCE

Team	W	L	Pct	GB
Orlando	17	10	.630	0
New York	16	11	.593	1
Atlanta	15	12	.556	2
New Jersey	14	13	.519	3
Washington	13	14	.481	4
Philadelphia	12	15	.444	5
Miami	11	16	.407	6

#### CENTRAL CONFERENCE

Team	W	L	Pct	GB
Indiana	17	10	.630	0
Cleveland	16	11	.593	1
Chicago	15	12	.556	2
Charlotte	14	13	.519	3
Milwaukee	13	14	.481	4
African	12	15	.444	5

#### WESTERN CONFERENCE

Team	W	L	Pct	GB
Houston	17	10	.630	0
Dallas	16	11	.593	1
Utah	15	12	.556	2
Denver	14	13	.519	3
San Antonio	13	14	.481	4
Minnesota	12	15	.444	5

#### PACIFIC CONFERENCE

Team	W	L	Pct	GB
Phoenix	17	10	.630	0
Golden State	16	11	.593	1
L.A. Lakers	15	12	.556	2
Seattle	14	13	.519	3
Sacramento	13	14	.481	4
Portland	12	15	.444	5

#### FRIDAY'S GAMES

Team	W	L	Pct	GB
New Jersey	14	13	.519	3
L.A. Clippers	13	14	.481	4
Orlando	17	10	.630	0
Atlanta	15	12	.556	2
Washington	13	14	.481	4
San Antonio	13	14	.481	4

### Top 25 College Results

Team	W	L	Pct	GB
Michigan	17	10	.630	0
North Carolina	16	11	.593	1
Indiana	15	12	.556	2
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## SIDELINES

### Japanese Horse Wins Tokyo Race

FUCHU, Japan (AP) — Marvelous Crown of Japan outran co-favorite Paradise Creek of the United States down the stretch Sunday for a nose victory in the Japan Cup, the world's richest horse race.

Japan's Royce and Royce finished third, another 1/4 lengths back, in a field of 14. France's Hernandez was fourth and the other favorite, Sandpit of the United States, finished fifth after being sandwiched between Paradise Creek and Royce and Royce in the homestretch.

The victory, worth \$1.74 million from a purse of \$4.03 million, raised Marvelous Crown's career earnings to \$4.16 million.

### Chinese Women Sweep Lifting Golds

ISTANBUL (AP) — The World Weightlifting Championships ended Sunday with the Chinese women having won all 18 gold medals in the six weight categories in which they were entered. They also now hold 27 of the 28 world records, having set 11 at the championships. The latest mark fell Saturday when Li Dan hoisted 107.5 kilos (237 pounds) in the 83-kilo class for the snatch event. She broke the mark of China's Li Yajuan by 2 kilos en route to winning three gold medals for her team.

### More Drug Tests Reportedly Failed

TOKYO (AP) — Chinese athletes other than swimmer Yanh Aihua have tested positive for using banned substances at last month's Asian Games, Kyodo News Service reported Sunday. It said games officials did not name the athletes or identify their sports, or even give the number who tested positive. The offices of the games' organizing committee, the Japan Olympic Committee, the Japanese swimming federation and the testing laboratory were closed and officials could not be reached for comment.

### For the Record

Gabriel Batistuta, the Argentine striker, scored for the 11th consecutive game in Fiorentina's 2-2 draw with visiting Sampdoria, breaking the Italian first division record set by Bologna's Ezio Pascutti in the 1962-63 season.

Jan Apell and Jonas Bjorkman of Sweden fought off match points in the fourth and fifth sets to beat Australians Todd Woodbridge and Mark Woodforde, 6-4, 4-6, 4-6, 7-6 (7-5), 7-6 (8-6), for the ATP Tour World Doubles title in Jakarta.

Danny Harris, the U.S. hurdler who was banned after testing positive for cocaine in February 1992, was reinstated by the IAAF in the first use of its "exceptional circumstances" rule.

Rugby union was officially accepted back into the Olympic movement at a ceremony before the Wales-South Africa test match in Cardiff, but the sport isn't expected to become a part of the Games until 2004 at the earliest.

Spain will host the men's 1997 European Championship in basketball and France the 1999 tournament, FIBA said. Earlier, it created an additional qualifying tournament for the 1995 tournament in Greece to allow for Yugoslavia's return to international competition following the partial lifting of U.N. sanctions.

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### DENNIS THE MENACE



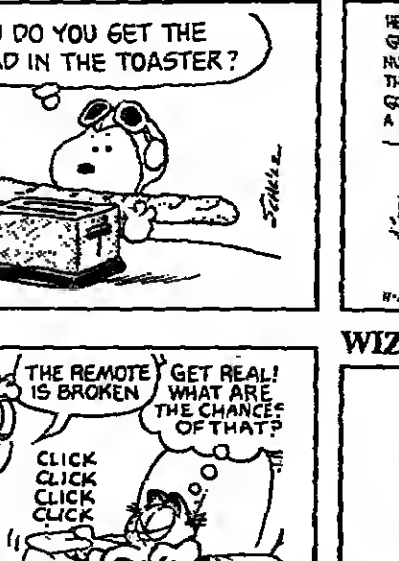
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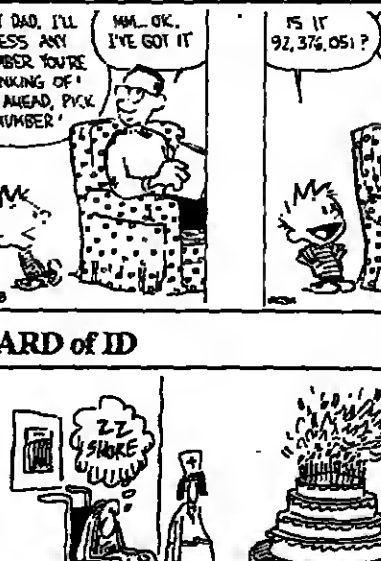
### CALVIN AND HOBBES



### WIZARD OF ID



### THE FAR SIDE



### BLONDIE





# MONDAY SPORTS

## On 28-Point Last Period, State Ties Florida, 31-31

The Associated Press

Bobby Bowden is one of the highest gamblers in college football, but he played it safe after Florida State staged one of the greatest comebacks in NCAA history.

The seventh-ranked Seminoles scored 28 straight points in the fourth quarter Saturday to tie No. 4 Florida, 31-31, in Tallahassee. Florida State might have won had Bowden gone for the two-point conversion following Rock Preston's four-yard touchdown run with 1:45 left.

### COLLEGE FOOTBALL

but he sent in Dan Mowrey for the extra point that tied the score.

"It was just too good a comeback to risk losing," said Bowden, known for his willingness to take risks with trick plays and other unorthodox moves.

Bowden said he thought Florida State had enough time to get the ball back and drive for the winning score. The Seminoles did regain possession with 22 seconds remaining at their 29-yard line, but the clock ran out when quarterback Danny Kanell couldn't get out of bounds after an eight-yard scramble to the Florida 43.

Kanell led the Florida State comeback, throwing for 232 yards in the fourth quarter and completing 16 of his last 17 passes. It was the kind of performance the Seminoles got last year from Charlie Ward, the Heisman Trophy winner.

If Florida State had made a two-point conversion and won, it would have been the greatest fourth-quarter comeback victory in Division I-A history. Washington State overcame a 21-point deficit in the final period to beat Stanford 49-42 in 1984.

The biggest deficits overcome in a game were 31 points by Ohio State against Minnesota in 1989 and Maryland against Miami in 1984. Both teams trailed 31-0 before rallying to win.

Although the tie ended slim national title hopes for Florida State and Florida, it won't have a big impact on their bowl situations.

As the Atlantic Coast Conference champion, Florida State (9-1-1) is guaranteed a berth in one of the major bowl coalition games — the Sugar, Fiesta, Cotton or Orange.

Florida (9-1-1) will go to the Sugar Bowl if it beats No. 3 Alabama in next week's Southeastern Conference title game. The loser will play in the Citrus Bowl.

No. 2 Penn St. 59, Michigan St. 31: At State College, Pennsylvania, Ki-Jana Carter made a final push for the Heisman Trophy with five touchdowns and Penn State (11-0) overcame another poor defensive performance en route to the Rose Bowl to face Oregon.

The loss was the last game for Michigan State's coach, George Perles, who was forced to resign after 12 seasons with the Spartans.

Carter gained 227 yards on 27 carries. It was his ninth 100-yard game of the season, breaking a Penn State record held by Lydell Mitchell, John Cappelletti and Blair Thomas.

No. 5 Miami 23, No. 25 Boston College 7: At Miami, the Hurricanes forced four second-half turnovers and all but clinched a berth in the Orange Bowl on Jan. 1 against top-ranked Nebraska.

The Hurricanes (10-1, 7-0) struggled offensively against the No. 25 Eagles and trailed 7-3 at halftime. Second-half turnovers led to both touchdowns by Miami, which ranks first nationally in total defense and scoring defense.

Boston College's Mark Hartsell threw three interceptions in the second half and lost a fumble that Corwin Francis recovered at Miami's 33.

No. 11 Kansas St. 42, UNLV 3: At Las Vegas, J.J. Smith rushed for 227 yards and two touchdowns and quarterback Chad May ran for two scores. May was 8-of-13 for 126 yards and a touchdown despite winds gusting to 40 mph (65 kph).

Kansas State (9-2) is heading to the Aloha Bowl, while UNLV (6-5) will play Central Michigan in the Las Vegas Bowl.

No. 17 Southern Cal 17, Notre Dame 17: At Los Angeles, Southern Cal scored a late touchdown after blocking a field goal to salvage the tie.

Both the Trojans (7-3-1) and the Irish (6-4-1) are probably bowl-bound, but Notre Dame fell one victory short of guaranteeing itself a spot in a coalition bowl.

Midway through the final quarter, Israel Ifeanyi blocked a 37-yard field goal by Notre Dame's Stefan Schrockner, and USC's Sammy Knight picked up the ball and returned it 56 yards to the Notre Dame 16. Four plays later, Shawn Walters scored on a one-yard run.

No. 19 Mississippi St. 21, Mississippi 17: At Oxford, Mississippi, Kevin Boone and Michael Davis each ran for over 130



Coach Steve Spurrier, watching the Gators' four-touchdown lead vanish.

yards as the Bulldogs beat the Rebels for the second straight year.

Mississippi State (8-3, 5-3 SEC) is probably headed for the Peach or Gator bowls. Ole Miss (4-7, 2-6), placed on NCAA probation a week ago, lost six of its last eight games.

Elsewhere, Rice beat Houston, 31-13, to gain a five-way share of the Southwestern Conference championship.

In a Friday night game, No. 1 Nebraska 13, Oklahoma 3: Brook Barringer scored the game's only

touchdown on a quarterback sneak and Nebraska's defense made it stand up as the Cornhuskers (12-0) had trouble with Oklahoma's defense, managing only 302 yards.

But the Sooners (6-5) got only 47 yards in the second half and didn't get a first down in the fourth quarter.

Nebraska's fourth straight Big Eight title earned it another trip to the Orange Bowl, where Nebraska was beaten by Florida State last year in a national-title showdown.

## Miami Bombs Jets, 28-24 To Widen AFC East Lead

The Associated Press

Just when the New York Jets had first place within their grasp, Dan Marino and Mark Ingram snatched it away in spectacular fashion.

The Miami Dolphins solidified their hold on the top spot in the American Football Conference East on Sunday as Marino hit Ingram for four touchdowns, the winning one with 22 seconds to go. Marino completed 24 of 30 passes in the second half, fueling a splendid comeback for a 28-24 victory in East Rutherford, New Jersey.

The Dolphins (8-4) hold a two-game lead in the division thanks to their offensive heroics after they fell behind, 17-0 and 24-6.

New York (6-6) has not been in first place since 1986. The only National Football League team without a division title since the merger, the Jets appeared ready to make the move as they dominated the first 40 minutes. Boomer Esiason found Johnny Mitchell for two TDs, while Rob Moore and Art Monk both had more than 100 receiving yards.

But even with the Jets in control, Marino showed who's boss. He hit 5 of 6 passes on a 67-yard drive, connecting with Ingram for a 17-yard TD over rookie Aaron Glenn.

Troy Vincent's interception at the Miami 37 gave Marino another chance early in the fourth quarter. He needed only five plays — all completions — to go 63 yards, with Ingram taking a 28-yard pass for the score. Suddenly, it was 24-21.

Marino, who enjoyed perfect protection all day, got the ball again with 2:34 remaining. He completed 7 of 8 in taking the Dolphins 84 yards, victimizing cornerbacks Glenn and James Hasty on the play.

Ingram's four touchdowns tied a team record as Miami snapped a two-game slide.

Esiason had a hot hand early, but the Jets got only Nick Lowery's 24-yard field goal on two long drives. Esiason hit 6 of 8 passes, including three long

third-down conversions in a 15-play march.

Browns 34, Oilers 10: Playing his first full game in six weeks, Vinny Testaverde committed two turnovers deep in Houston territory but also threw two touchdown passes as the

### NFL ROUNDUP

Browns overcame the still-reeling Oilers in Cleveland.

Leroy Hoard ran for 103 yards and two touchdowns for Cleveland (9-3), which handed the Oilers (1-11) their eighth straight loss.

Testaverde, whose playing time had been limited since he sustained concussions in consecutive games against Cincinnati and Denver last month, was alternately awful and brilliant.

But he was on target when he had to be, throwing a one-yard touchdown pass to Frank Hartley, the first of Hartley's career, early in the second quarter, and an 11-yarder to Brian Kinchen later in the period. The Browns' defense, which has given up the fewest points in the NFL, took it from there, blanketing the Oilers over the last two quarters as intermittent rain grew steadier and heavier.

Falcons 28, Eagles 21: In Atlanta, Jeff George threw for 364 yards and combined with Terance Mathis on two touchdowns passes to lift Atlanta over Philadelphia despite a 91-yard touchdown run by Herschel Walker.

Walker's run, the longest from scrimmage in the NFL since Bo Jackson went 92 yards for the Raiders five years ago, gave the Eagles a 14-13 lead 2:45 into the second half.

But neither three interceptions nor the run seemed to bother George, who promptly marched the Falcons 67 yards in six plays, capping it with a 7-yard TD pass to Mathis, who finished the day with 124 yards on 10 catches.

The next time Atlanta got the ball, George, who was 26 of 46, took the Falcons 87 yards in 12

plays capped by Craig Heyward's 5-yard TD run. Three completions on the drive were to Mathis, who has 90 for the season for 1,073 yards.

Philadelphia got one score back with 4:22 left on Walker's 2-yard run, set up by Eric Allen's interception, the third thrown by George.

But rookie Anthony Phillips intercepted Randall Cunningham on the first play after Philadelphia got the ball back with 2:25 left on their own 43. And the Eagles couldn't get a play off after Cunningham completed a 61-yard pass to Victor Bailey at the Atlanta 19 with 11 seconds left and no timeouts.

Buccaneers 20, Vikings 17: In Minneapolis, Michael Husted kicked a 22-yard field goal after a fumbled punt early in overtime, giving Tampa Bay the victory over the Vikings. It was Minnesota's third straight loss and its worst performance of the year.

Minnesota (7-5), which needed a 40-yard touchdown catch by Qadry Ismail and a 2-point conversion just to force overtime, entered the game in a first-place tie with Chicago in the NFC Central.

Husted's winning kick at 12:52 of overtime snapped a six-game losing streak for Tampa (3-9) and prevented the Bucs from losing 10 or more games in their 12th straight season. The Vikings were playing their third overtime game in six weeks.

More than 16,000 fans stayed home rather than risk driving in Minnesota's first snowstorm of the season, and many more had left after Husted's 22-yard field goal gave the Bucs a 17-9 lead with 5:24 to play.

But the sparse crowd that remained roared for the first time all day as the Vikings forced Tampa to punt, giving Warren Moon one last chance from midfield with 26 seconds left. But Moon threw three straight interceptions.

Tampa led 14-9 at halftime and controlled the half most of the second half.

## Heisman Hopeful McNair Goes Down Firing Away

Compiled by Our Staff From Dispatches

YOUNGSTOWN, Ohio —

Steve McNair has demonstrated before a national U.S. television audience and in a playoff game that, despite injury, he is indeed a formidable football player. The Youngstown State team, however, proved infinitely mightier.

The final score was Youngstown State 63, Alcorn State — one is tempted to simply write McNair — 20, in Friday's first-round game of the Division I-AA playoffs.

The Heisman Trophy contender, who had pulled a hamstring in the previous week's game, had not practiced with his team all week. He was unable to run, a major part of his arsenal, or to throw with accustomed velocity.

Despite this, he threw a Division I-AA playoff record 52 completions in 82 passes, and his 514 yards gained in passing

were three yards short of another mark. All three of Alcorn's touchdowns came on McNair's passes.

But he also was intercepted three times by top-ranked Youngstown State. And with his mobility limited, he was an easy target for a defense that sacked him six times and forced seven turnovers.

"When we saw that he couldn't scramble," said Youngstown's coach, Jim Tressel, "we came at him from all sides."

"In his four years as a starting quarterback," said Cardell Jones, the Alcorn coach, "Steve saw more people rushing at him today than he ever did before."

McNair passed mark of 78 by Rhode Island's Tom Ehrhardt against Furman in 1985. His completions eclipsed the 44 of Mississippi Valley State's Willie Totten against Louisiana Tech in 1984. (NYT, AP)



Isabelle Autissier leaving Cape Town with a five-day lead.

## Autissier Leads BOC Fleet Toward Sydney

By Barbara Lloyd

New York Times Service

When Isabelle Autissier returned home to France last month after her astonishing victory in the first stage of the BOC 'round-the-world race, she was recognized on trains, planes and automobiles.

But nowhere was her identity more honestly revealed than on the taxi ride back to Cape Town's port, where BOC sailors were preparing for the next stage of the race.

"Oh, you're the lady that won that race," the driver said to Autissier. "You know, the men here are not pleased at all that you won. Sorry about that."

In recounting the story in a telephone interview from Cape Town, Autissier was amused. "He was telling me that in a gentle voice," she said. "It was a joke, but I think it was true in a way."

"I am really sorry," she told him, "but I would like to do it again."

Autissier's 35-day record from Charleston, South Carolina, to Cape Town put her five days ahead of the next 17 BOC competitors, all men. Steve Pettengill of the United States came in second, and Christophe Auguin of France, the 1990-91 BOC defending champion, was third.

The 27,000-mile (43,500-kilometer) com-

petition resumed Saturday from Cape Town. And, like many of the other lone skippers, Autissier was itching to get going. A fleet of 13 boats set out for Sydney, Australia, the second leg of the four-stage BOC Challenge.

David Scully, who had rejuvenated the late Mike Plant's boat, Coyote, was at the start line but then headed back to shore, apparently with a mainsail problem. Four other boats, having arrived late in Cape Town, were to depart later.

The 6,700-mile passage to Sydney is apt to be harrowing, given the icebergs and storm systems that strew their route through the southern part of the Indian Ocean. Rather than a tactical match in relatively calm water, as was the first leg, the second phase of their voyage is apt to be a drag race through rough seas.

Although Autissier so far has sailed a smarter race than the others, her overall approach is likely to sustain her in the next stage, too. "I'm known as the girl that beat the men," said the 38-year-old Autissier. "That's the way people see me. But I think they also realize that I did that because I went the right way with the weather, and because I was prepared. I made a lot of effort for that."

Her 60-foot sailboat, Ecoueil Poitou-Charentes 2, was well stocked for leaving

on Saturday, her pantry including gifts such as dried ostrich meat, and dried tomatoes and bread from local residents. "It's very nice when you are on board to have these things," said Autissier.

Pettengill was raring to go as well. The 43-year-old sailor was so focused that within an hour of arriving in Cape Town last month, he was seen rummaging around his boat's work shed in search of extra parts for going to sea again.

As with Autissier, Pettengill listened to his own advice in the first leg, and did well by it. By going west when others stayed east, he gained a speed advantage at the end that allowed him to bypass several other contenders. Pettengill is sailing Hunter's Child, a 60-foot sloop.

In the race to Sydney, Pettengill said, he believes there's less chance of going astray. But as for catching up to Autissier, he can only hope. "It's doable," he said. "But I doubt I can do it in the next leg alone. I'll be driving my boat faster, and I'll be hoping that my boat is faster downwind than Isabelle's."

Alan Nebauer, the Australian skipper who rescued a fellow competitor, Josh Hall, from a sinking boat in Leg 1, began the race to Sydney with a time credit of 5.5 hours.

## CROSSWORD

ACROSS  
1 Boats like Noah's  
5 Dove, for one  
18 Swiss mountain

13 'Star Wars' princess  
14 Terre — Ind.  
15 Bread with seeds

16 Huey Long novel  
17 Judith Krantz novel  
20 It's frozen in Frankfurt  
21 'For — a jolly

22 Squirrel's hangouts  
23 Single-named novelist  
24 Lab burners  
25 Katha Lee's co-host

26 Host  
27 Soap ingredient  
28 Stylus  
29 With 38-Down, a cornball variety show

30 Speedy jets  
31 Prominent part of "Peter Piper picked a peck..."  
32 Refinery shipment  
33 Possess  
34 "Malcolm X" director

35 Magazine chiefs, for short  
36 River to the North Sea  
37 Health club  
38 — Aviv  
39 Scrap of food

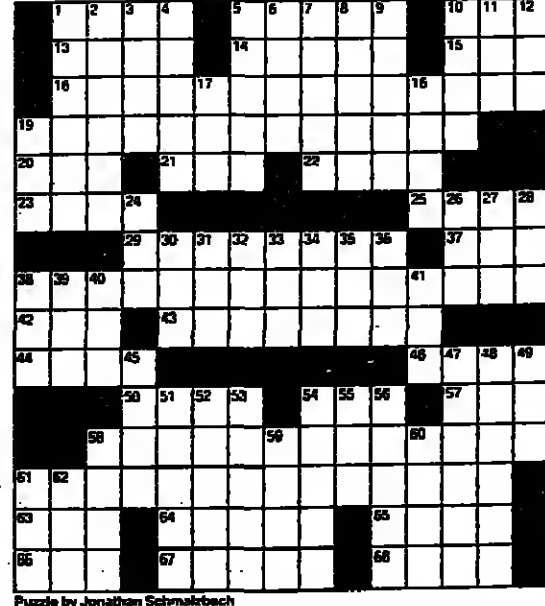
40 Louis XIV, e.g.  
41 Prior, to Prior  
42 LP spinners  
43 Boob tubes  
44 See 17-Down  
45 It's two after epsilon

46 Giant giant  
47 Basketball's Larry  
48 Passionate  
49 Pieces of bedroom furniture  
50 Feels of Cley: Abbr.

51 Radio part

52 Use logic  
53 In base 8  
54 Loamy soil  
55 Incorrect  
56 Brother of Prometheus

57 Clinton, slangily  
58 Honor: Ger.  
59 Four on a sundial  
60 Loose  
61 Petroleum company, informally



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### Solution to Puzzle of Nov. 25

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CHARGER AMOROUS  
HEURE DOZ NALDI  
ERNE MELEN SLID  
TIC MANFRED ETE  
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COPACETIC  
REVERE TELEVISION  
AVA ENCORES BRIM  
MELT SARTIS VOLE  
GRANIN SIV FIFNER  
LENTENT EARRING  
ASCRIIBE SCIENCE  
STELLAR STOOGES

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## Of Comparisons and Passed Mistakes

**New York Times Service**

## Getting Under Your Skin, for Beauty's Sake

"I'm also against special creams for the eye areas or the neck. The face must be treated as a whole, not in segments." The basic Semonin routine is to "wake" the skin every morning with a misted spray of *eau vivante*, or ionized water, followed by an application of



Beyond her regular regime, Sermonin offers a variety of specific treatments at

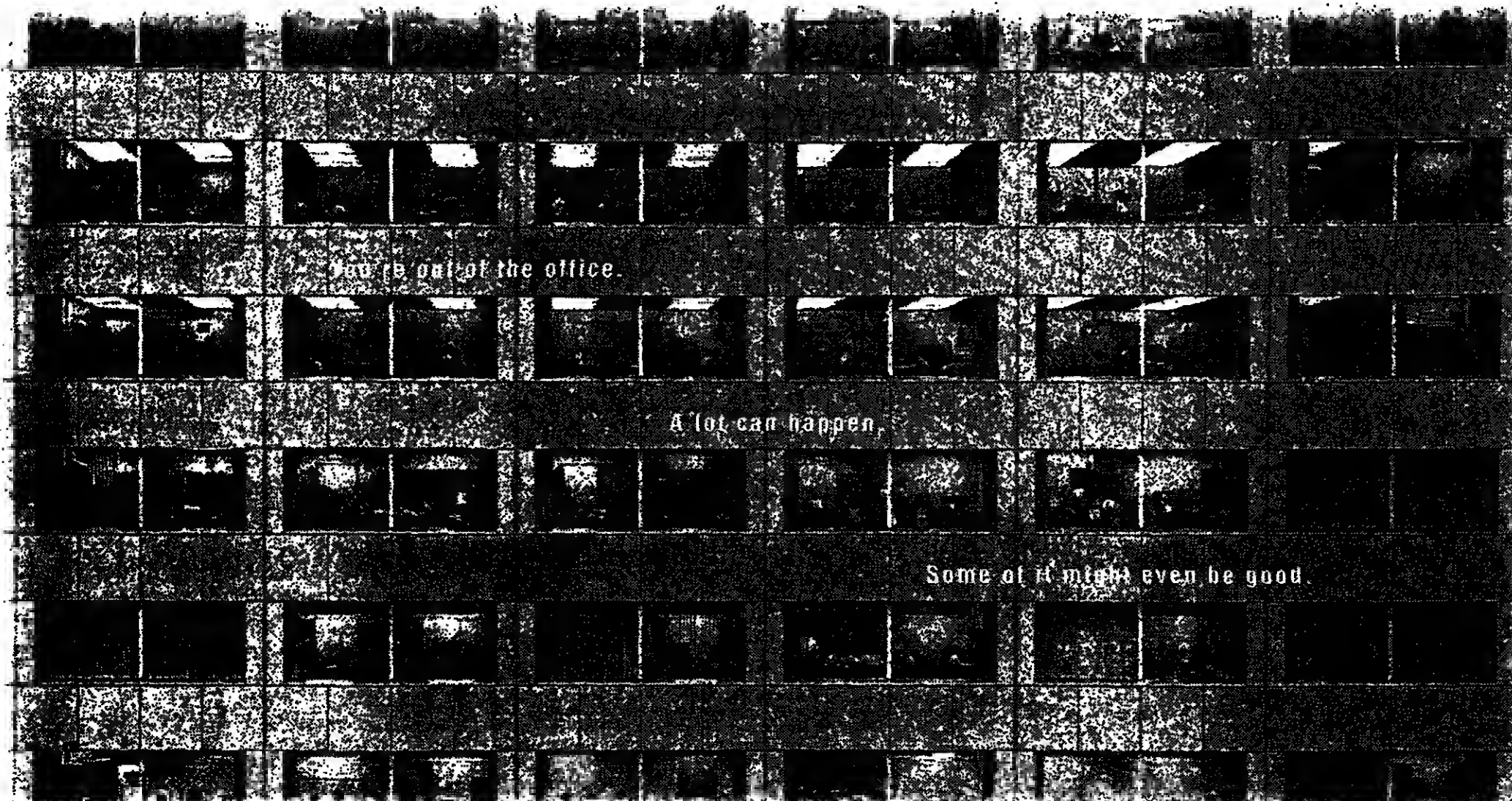
*Alexander Lobrano is a Paris-based journalist who writes on travel and style topics.*

Forecast for Tuesday through Thursday, as provided by Accu-Weather.

Crisco	4/38	3/27	0/32	5/24	al
Danvers	1/34	1/18	10/50	5/24	al
Detroit	7/44	1/31	2/35	4/26	al
Horsham	27/80	21/70	26/82	22/71	al
Houston	19/66	3/37	15/56	1/34	al
Los Angeles	20/26	9/48	26/79	1/34	al
Miami	28/84	21/74	26/82	19/86	al
Minneapolis	2/29	9/16	2/29	7/20	al
Moscow	6/42	4/26	1/34	7/20	al
Norwalk	26/82	23/73	25/84	33/73	al
New York	14/57	10/80	11/52	2/35	al
Phoenix	17/82	3/37	22/71	8/48	al
San Francisco	12/56	6/43	16/81	8/46	al
Seattle	7/44	4/26	9/48	6/43	al
Toronto	8/41	2/28	2/35	5/22	al
Washington	18/84	9/48	21/82	1/34	al

## Sinatra Music Museum? Ho-Ho-Hoboken Holds Its Breath

Mayor Anthony Russo has been courting the Sinatra's gently. A call here, a letter there, "I sent Frank a letter when he was at the Sands in Atlantic City," he said. He tried not to sound desperate. "I just reiterated the commitment and the love and the loyalty that the people of Hoboken have for him," he said. "And I just reminded him that we were still very interested in hosting his music museum."



a thing. After all, that's reason enough to worry.



ASIA / PACIFIC		NEW ZEALAND	99-291	AUSTRIA**	022-003-011	HUNGARY	000-090-01111	NORWAY	800-180-11	MIDDLE EAST		AMERICAS		AFRICA	
AUSTRALIA	000-001-011	PHILIPPINES*	105-111	BELGIUM*	0-800-100-10	IRELAND**	899-001	POLAND**	00810-00-011	BAHRAIN	943-001	ARGENTINA	001-830-200-11	PERU	001-111-1111
CHINA, PRD***	800-1111	RUSSIA** (MOSCOW)	120-000-011	RU GERMANY	00-1000-0011	IRELAND	1-877-500-800	PORTUGAL*	01-200-1-200	CYPRUS*	01-600-1-200	BOLIVIA*	0-800-110	YEMEN**	00-011-011-11
HONG KONG	000-1001	SARAWAK*	90-00-011	SPAIN**	00-000-0011	NETHERLANDS*	00-800-0001	SAUDI ARABIA	01-800-0001	UNITED STATES (CARRB)	01-800-0001	CHINA, HONG KONG	00-800-1111	ANGOLA	00-011-011-11
INDONESIA*	000-100-10	SEMI-PAKISTAN*	90-011-011	CZECH REPUBLIC	00-000-0011	TURKISTAN**	00-000-0011	SLOVAK REP.	00-000-0011	ISRAEL	177-100-1111	CANADA	1-800-555-0000	GUINEA	00-011-011-11
JAPAN*	0031-00-10	TAIWAN*	0000-1020-0	FINLAND*	800-100-10	LITHUANIA*	00190	SPAIN*	900-90-0011	KUWAIT	001-000-11	CHILE	000-000-11	GAMBIA*	00-011-011-11
KOREA	000-11	TANZANIA	0000-1020-0	HUNGARY	000-000-10	LEBANON**	0-800-1111	SWEDEN*	020-700-11	LEBANON (RETRT)	420-001	COLUMBIA	000-111-0010	IVORY COAST	00-011-011-11
MACAU**	000-11	THAILAND*	000-1111-11	FRANCE	195-0011	NETHERLANDS*	0000-800-110	SWITZERLAND*	100-00-11	SAUDI ARABIA	1-800-001	EL SALVADOR**	000-000-11	KENYA	00-011-011-11
MALAYSIA*	000-0011	UNITED KINGDOM	000-1111-11	GERMANY	000-000-11	NETHERLANDS*	00-000-0011	UKRAINE*	000-000-11	LIBERIA**	000-000-11	NETHERLANDS*	000-000-11	LIBERIA**	00-011-011-11
		ARGENTINA*	0-14111	GREECE*	00-000-1311	NETHERLANDS*	00-000-1311	U.S.	0000-90-0011	SIERRA LEONE**	000-000-11	MEXICO**	00-800-000-11	SOUTH AFRICA	0-800-000-11

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